



# Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The World's Daily Newspaper

London, Saturday-Sunday, December 26-27, 1998

No. 36,023

TODAY:  
Annual Forecast Page 13

## The New Europeans Do Without Borders

Young, Mobile, No Historic Hang-Ups

By Alessandra Stanley  
New York Times Service

**THE CHUNNEL**, England-France. Palm Pilot in one hand, cellular phone in the other, Jean-Marc Roulier, 26, was juggling business calls halfway between London and Paris. When his phone went dead as the high-speed Eurostar train pulled into the underwater tunnel that links England to the Continent, the London-based French banker loosened his Italian silk tie and introduced himself.

"I definitely describe myself as a European," he said in the fluent English he perfected working at an Australian bank. "I may get sentimental when they play the Marseillaise, but for all the practical things, I see myself as a citizen of Europe. I like the lifestyle in France, but I don't make my living there."

The year 1999 is the official start-up date of the euro, the common European currency that will unite 11 countries monetarily. But throughout Europe, a different kind of integration has already taken root.

Mr. Roulier, who was spending a day in Paris to meet with his bank's French clients, is at the vanguard of a new generation of Europeans who do not have to brace themselves for a shock in the new year.

Mobile, fluent in several languages and aggressively non-nationalistic, they are already living the kind of borderless, cosmopolitan existence that the single European currency is supposed to advance.

They do not share their parents' memories of World War II or their parents' sense of national identity.

"People worry when they hear talk of a common European defense policy because it suggests that at the end of the day, we have one government," said Kleon Papadopoulos, a Greek banker based in London.

"Countries are afraid to lose their sovereignty, but I don't see it as a bad thing. If a government is good, stable and efficient, who cares if it is based in Berlin or Athens?"

Mr. Papadopoulos, 36, who studied business in the United States and Brit-

tain, could serve as a model for the new Europeans. He works for a Swiss bank in London, speaks Greek, English and French, and in the past year has traveled, among other places, to Belgium, the United States, Cuba, Switzerland and Italy.

Like hundreds of thousands of other Europeans, he chose London — and its busy financial markets — as the best place to work.

He said he does not feel as if he lives in England. He lives in London, the clubhouse of financial Europe.

And membership has its privileges. Mr. Papadopoulos lives in the fashionable Knightsbridge area, drives a Porsche he bought in Brussels, and works out at the fashionable gym of the Carlton Towers.

"I went to the London School of Economics in 1984 and the only other 'foreigners' I met were from the Middle East," he says.

"Now, friends and co-workers are Italian, French, Greek, Spanish, German, even Russian. You feel it everywhere. The streets are jammed with foreigners. Not tourists — people who live and work here."

Baby boomers in Europe often describe themselves as the 1968 generation, weaned on the protest and social turmoil that convulsed European societies 30 years ago. Less dramatic but equally significant was a 1968 law guaranteeing freedom of movement within what were then the six countries of the Common Market. A Frenchman could work in the Netherlands, an Italian could work in Germany.

Back then some economists dourly predicted huge migrations, particularly of unskilled laborers moving from southern countries to the more prosperous north. Actually, as huge industries like steel shrunk in the 1970s and 1980s, so did the job opportunities for working-class Europeans.

"There are 15 countries in what is now the European Union, but only a small percentage of their citizens have moved to other countries," according to estimates prepared by

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The project director, Mike Kendrick, announcing the end of the trip.

## Balloonists Rescued at Sea After Pacific Winds Fail

Compiled by Our Staff From Dispatches

**HONOLULU** — Three balloonists attempting a nonstop round-the-world flight were all safely picked up by U.S. Coast Guard helicopters from the sea off Honolulu after ditching their craft on Friday morning.

A U.S. Coast Guard officer from the cutter Washington, which took part in the rescue operation, said all three men were "in good condition and in good spirits."

The crew — the British entrepreneur Richard Branson, the American millionaire Steve Fossett and Per Lindstrand of Sweden — quit halfway through the journey after they lost the high-altitude, high-speed winds they needed to carry them across the Pacific to North America.

The balloon, which worked with a combination of helium and hot air, hit the water about 10 miles (16 kilometers) north of the island of Oahu and skidded across the surface. A Coast Guard spokesman said the balloon had splashed down about 9:40 A.M. local time.

The Coast Guard had sent out two helicopters along with the cutter and a Hercules C-130 cargo plane.

The balloonists had gotten caught in a low-pressure system and feared they would get stuck there for a week. The balloon, called the ICO Global

Challenge after one of its sponsors, travelled about 2,200 miles (13,120 kilometers) — about half the distance of its intended odyssey — before its dejected crew decided to abandon the flight.

"I am sorry to have let people down," Mr. Branson said, speaking to his London headquarters before the craft splashed down. He said a low-pressure weather system that had stalled the journey was "like a solid brick wall."

The crew had hoped to reach North America on Friday, flying over southern Canada or Washington state.

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## Kosovo Slips Closer To Open Warfare

By Mike O'Connor  
New York Times Service

**PODUEVO, Yugoslavia** — A sustained Christmas Eve assault in northern Kosovo by Serbian forces and sporadic clashes with separatist guerrillas on Friday threatened a tenuous two-month cease-fire.

The attack, with some 40 tanks and armored vehicles, violated the Serbian commitment not to initiate actions against the rebels. Now, the chance for more combat is high, Western diplomats say.

A rebel communiqué Friday implied that the government attack meant the cease-fire brokered by American diplomats in October would be called off. It said the rebels will attack and defend themselves with everything at their disposal.

Rebel fighters, who belong to a force that was best described as rag-tag a few months ago, today seem organized, disciplined and well armed.

Leaders of the international monitoring mission intended to help build confidence and spur talks between the government and the rebels questioned whether it was becoming pointless, and too dangerous, to stay.

The renewed clashes were confirmed by Jorgen Grunnet, spokesman for the Organization for Security and Cooperation in Europe. The Associated Press reported. He said William Walker, the American diplomat who heads the OSCE's team of unarmed peace verifiers, had gone to the area of the fighting near Podujevo. The United States, France and the European Union warned both sides against further violence.

Thursday's attack, which diplomats said was the worst violation since the cease-fire went into effect, came after

11 days of combat and assassinations in which, international monitors say, the two sides have shown that they do not intend to solve their differences peacefully.

"Both sides have gone looking for trouble and they have found it," Mr. Walker said. "If the two sides are unwilling to live up to their agreements, 2,000, 3,000 or 4,000 unarmed verifiers cannot frustrate their attempts to go after each other," he said.

The monitors were allowed into Yugoslavia under the threat of air strikes by the North Atlantic Treaty Organization in October. At that time, the Belgrade government also agreed to withdraw many of its forces from Kosovo and to stop its attacks on the rebels. The ethnic Albanian rebels of the Kosovo Liberation Army agreed to a cease-fire and to enter good-faith negotiations.

There are about 600 observers in Kosovo now, and the plan is to have about 2,000 in place by the end of January.

But with Kosovo seemingly teetering on the brink of serious conflict again, a British major general, John Drenth, who is deputy head of the monitoring mission, wondered Thursday night if Europe and America would continue to contribute observers.

"Why should we put the lives of our young men in danger to help people who have not kept their solemn agreements?" General Drenth asked. "The states contributing forces will not see them caught in a meat grinder. They will pull out instead."

The government said the assault Thursday was part of the investigation into the assassination of a state security

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## In Japan, a Slump That Won't Quit

Uncompetitive Industries  
Undermine Stimulus Plans

Jobless Rate Rises to Record;  
No Economic Rebound in View

Compiled by Our Staff From Dispatches

**WAKAYAMA, Japan** — The mystery of why Japan's economy continues to sink, despite a series of costly government rescue attempts, can be explained here in this seaside town south of Osaka.

A gleaming mass of pipes and towers looms over the waterfront, where Wakayama Petroleum Refining Co. converts crude oil into heavy fuels and lubricants. Down the road, Sumitomo Metals Industry Co. makes steel sheets and bars.

Once oil and steel were major engines of growth here. But now, with demand slumping and prices tumbling, the steel mill has scaled back production and there is talk of shutting the refinery. Japan, along with the rest of the world, has too many steel mills and oil refineries.

In fact, Japan has a staggering overcapacity in a vast array of industries, dotting the landscape with more bank branches, gas stations, construction companies and automakers than the nation and its global customers can support profitably.

This excess is, in part, the legacy of the nation's once successful export-driven strategy to become a global economic powerhouse. But since the end of the Cold War, Japanese exporters have had to face a host of new competitors as many developing nations have pursued export-led economic growth strategies.

Meanwhile, demand for Japanese exports has shriveled for more than a year because of the continuing economic crisis afflicting several Asian nations.

As a result, the Japanese economy continues to shrink, depriving other Asian economies of a critical market for their exports, prolonging the financial turmoil in the region and threatening the global economy.

Elsewhere, overcapacity is driving corporations to merge at a furious rate with the aim of cutting costs and becoming more competitive. This is the motivation behind the planned merger of Exxon and Mobil. NationsBank's purchase of BankAmerica, and Daimler-Benz's acquisition of Chrysler.

But Japanese executives, unlike their American counterparts, are judged more by their ability to protect their employees' jobs than on maximizing profit, and banks are considered strong if they can protect their major clients during tough times. So while many Japanese companies have

TOKYO — A series of reports Friday showed that Japan's economy continued to crumble last month, with the unemployment rate rising to a record high and no indication that the country is poised for a rebound.

The Management and Coordination Agency said Japan's unemployment rate rose to a record 4.4 percent as corporations cut payrolls and suffered a wave of bankruptcies.

In addition, government figures for November show that industrial output is sliding and that sales at department stores are slumping. A report from financial authorities also shows that Japan's troubled banks have even more bad loans than previously thought. (Page 9)

The unemployment rate was the highest since the government started keeping track in 1953. It had been stable at 4.3 percent for three consecutive months to October.

For the first time, the unemployment rate in Japan equaled that of the United States, where the jobless rate also was 4.4 percent in November. While in Japan the rate is a record high, in the United States it is one of the lowest rates in 30 years. Some economists, however, argue that Japan's joblessness is probably higher than the official figure states because unemployment is narrowly defined.

The International Monetary Fund said in a report released Monday in Washington that it expected unemployment in Japan to average 4.9 percent in the year through December 1999.

Taichi Sakaiya, head of the Economic Planning Agency, said the situation would very likely get worse before it got better. "There's strong pressure for the jobless rate to rise," said Mr. Sakaiya, one of Japan's top economic planners, adding that the rate was viewed "with grave concern."

Large companies in Japan generally reduce excess labor by hiring fewer university graduates and offering early retirement packages to older employees. Of the 2.9 million unemployed in Japan, 800,000 are aged 24 to 34 years, and 550,000 are between the ages of 55 and 64.

The news was no better for Japan's once-mighty manufacturers. Industrial output at factories and mines in November fell a larger-than-expected 2 percent compared with the previous month, the Ministry of International Trade and Industry said. The fall was considerably larger than forecast by private economists and the government.

While the ministry predicted there would be a 0.3 percent

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## Key Senator Prefers Censure of Clinton

By Richard L. Berke  
New York Times Service

**WASHINGTON** — Senator Daniel Patrick Moynihan of New York is making it clear that he thinks President Bill Clinton should be censured but not removed from office, warning that the moves to oust Mr. Clinton might threaten to "very readily destabilize the presidency."

Speaking out for the first time about possible Senate action, Mr. Moynihan said this week questioned whether the charges against Mr. Clinton were strong enough to merit removing him from office.

He said he had consulted many colleagues and was increasingly confident that there was support among Demo-

crats and Republicans to move to cut short a prolonged impeachment trial.

His comments should bring a measure of relief to the White House, where some officials had feared that Mr. Moynihan, who has broken with the president often in the past, might again turn on Mr. Clinton. His seniority, scholarship and independence make him an influential member of the Senate.

"We are an indispensable nation and we have to protect the presidency as an institution," Mr. Moynihan, a Democrat who has been a fixture of American politics for five decades, said in a telephone interview from his home, where he was preparing for a Senate trial by reading the Federalist Papers.

"There has to be a commander in

chief," he said. "You could very readily destabilize the presidency, move to a randomness. That's an institution that has to be stable, not in dispute. Absent that, do not doubt that you could degrade the republic quickly."

While Mr. Moynihan stopped short of saying exactly what form of a compromise he would endorse, he left no doubt of his support for censure. Asked whether he backed censure, he replied, "You obviously can infer that."

Mr. Moynihan declined to say whether he thought a censure deal could avert a full trial in the Senate, and he did not disclose with whom he had met in the Senate to discuss the matter. He also did

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### AGENDA

#### Papal Talk Revisits Themes of Peace

Pope John Paul II made a strong Christmas appeal to banish arms, the death penalty and the exploitation of children and warned against becoming inured to the violence that continues in many parts of the world.

In his Christmas Day message at St. Peter's Basilica, the Pope spoke of daily news reports of events "soaked in fratricidal hate and even malice" and asked that "the light of Bethlehem save us from the danger of becoming resigned to so tormented and distressing a scenario."

The pontiff offered greetings in 58 languages and singled out "those who work to bring relief to the tormented situation in the Middle East." Page 4.

#### Russell Baker's Last

Russell Baker, the two-time Pulitzer Prize winner who amused readers of The New York Times and the International Herald Tribune with his commentary and humor for more than three decades, has written his final column before retirement. Baker, 73, won the Pulitzer for commentary in 1979 and for his 1983 book "Growing Up." His final "Observer" column appears on Page 4.

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Santa Claus celebrating Christmas with children at a church in Baghdad. Iraqi Christian services were shadowed by the U.S.-British bombings.

## A Baghdad Christmas

Christians Give Thanks and 'Share the Sadness'

By Stephen Kinzer  
New York Times Service

**BAGHDAD** — Probably no priest or pastor outside of Iraq opened a Christmas sermon Friday the way the Reverend Gabriel Marie did at the Church of Our Lady of Assumption here.

"Thanks be to God that we have survived the bombing," Father Marie told the Catholic parishioners who filled his church to overflowing at two Masses on Christmas Day.

He went on to lament the modern technology that allowed opponents "to push a button on a computer and kill people" and said it was the duty of all Christians "to build a new world full of peace."

Spiritual leaders used the holy day to tell Iraqi Christians that, as Father Marie said, "no bomb is powerful enough to kill the spirit of Christianity."

Parishioners at Our Lady of Assumption sang hymns loudly and listened attentively to Bible readings about the nativity. As they filed out into the midday sunshine, the choir of about 35 young people broke spontaneously into an Arabic rendition of "Jingle Bells." Then members of the choir hugged and kissed each other.

"Because of Christmas, I am very happy," said Amman George, 19, who was among the most enthusiastic sing-

ers. "We believe in Jesus and that his spirit will prevail to resolve these difficulties. His teachings are the way to peace in this country."

Christians at Catholic and Protestant services Friday said that they live and worship freely in Baghdad.

Deputy Prime Minister Tariq Aziz is a member of the Chaldean Catholic community. By far the largest Christian denomination in Iraq, Chaldean Catholicism has roots in the earliest Christianity and is widely accepted as part of the spiritual heritage of Iraq.

"Some Muslims with backward minds don't like Christians," said Wasan Wadia, 28, who attended a Catholic Mass with her family. "But most of them, especially the more educated, are friendly to us or even envy us because our tradition is very open-minded. They like talking and mixing with us."

As recently as 20 years ago, Christians constituted nearly 10 percent of the Iraqi population. But many worked for foreign companies and began emigrating in the 1980s as the companies shut down following the outbreak of war with Iran. Today they make up about 6 percent of the 22 million people in Iraq. Their community is known as highly educated and relatively prosperous.

Christian academics here, too by Je-

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# Avenge Iraq, Palestinians Are Wild Card in Israeli Elections

## Bin Laden Decrees

He Tells Muslims to Kill Americans and Britons

Compiled by Our Staff From Dispatches

CAIRO — The Muslim extremist Osama bin Laden has called on Muslims to kill Americans and Britons to avenge the two countries' attacks on Iraq.

"The British and the American people loudly declared their support for their leaders' decision to attack Iraq," Mr. bin Laden said in Friday's edition of the London-based newspaper *As-Sahab* al-Awsat.

He said this meant it was "the duty of Muslims to confront, fight and kill" Britons and Americans. "And anything that can be taken from them by force is the rightful prize of Muslims," he added.

The newspaper said the interview with Mr. bin Laden was conducted in the mountains of Helmand province, southern Afghanistan.

The United States and Britain carried out air strikes on Iraqi military and communications sites from Dec. 16 to Dec. 19 to punish Baghdad for its obstruction of UN inspectors seeking evidence of its weapons of mass destruction.

Washington accuses Mr. bin Laden, a Saudi dissident, of masterminding the twin bombings of the U.S. embassies in Tanzania and Kenya on Aug. 7. The blasts killed 224 people, including 12 Americans, and wounded thousands.

Thirteen days later the United States attacked Mr. bin Laden's camps in Afghanistan with cruise missiles.

Mr. bin Laden denied any involvement in the embassy bombings, but expressed his "admiration and support" for the attacks.

"I was not involved in the bomb blasts, but I don't regret what happened there," he told the *Taleban* rulers of Afghanistan, according to an independent Pakistani news agency.

Mr. bin Laden said he knew some of the men suspected in the Aug. 7 bombings. "These are two men whom we respect and hold in the highest esteem," he said through an interpreter in a separate interview broadcast Thursday by ABC News in the United States. He did not specify which two men he was talking about.

The U.S. authorities have indicted at least 14 people, including Mr. bin Laden, in their investigation of the embassy bombings and what investigators have called a global terrorist organization.

They also suspect Mr. bin Laden of financing the 1996 bombing of a U.S. military apartment complex in Saudi Arabia in which 19 servicemen were killed and several hundred people wounded.

After the United States attacked Mr. bin Laden's camps, the *Taleban* — the militia that controls 90 percent of Afghanistan — announced that it had imposed restrictions on him, including barring him from giving press interviews.

Mr. bin Laden told *As-Sahab* al-Awsat that while the *Taleban* had prohibited him from carrying out attacks on foreign countries, he continued to guide Muslims "toward holy war against Jews and Christians. This is a duty."

A businessman who made a fortune in construction, Mr. bin Laden first went to Afghanistan in the 1980s to fight against the Soviet occupation army.

(AP, NYT)

By Lee Hockstader  
Washington Post Service

JERUSALEM — With Israel now on its way to early elections, the most interesting wild card in the contest may turn out to be the Palestinians.

In the campaign for prime minister in 1996, Palestinian militants played a major role in Benjamin Netanyahu's come-from-behind, upset victory. A series of Palestinian suicide bombings three months before the election provided a critical boost for Mr. Netanyahu and his view that Israel had to get tough and slow down the peace process.

So it was not by chance that on Monday, when Mr. Netanyahu rose in the Parliament to deliver what amounted to his first campaign speech, he spent most of his time attacking the Palestinians, not his domestic adversaries on the left and right.

The Knesset, or Parliament, voted that day to dissolve itself and move toward elections almost two years early. The vote set in motion an unpredictable confluence of events that is likely to shape the future of peacemaking in the Middle East.

On one track is the political contest, which is likely to offer voters a choice between candidates with competing views about how to settle the territorial dispute at the heart of the Israeli-Palestinian conflict.

On the other track is the countdown to May 4, 1999, the date on which the Palestinian leader, Yasser Arafat, has said he will declare an independent Palestinian state, one likely to be recognized immediately by most countries in the world.

That these two processes are moving on parallel tracks and may reach their climaxes at about the same time makes the next few months an extraordinarily dynamic, and possibly volatile, time in the Middle East.

In accusing the Palestinians of inciting riots, failing to seize illegal weapons and threatening to declare an independent state, Mr. Netanyahu argues that only his tough stance and go-slow peace policies will ensure Israel's security.

Lately he has cranked up that rhetoric by suggesting that Israel's very survival is at stake in the dispute over land with the Palestinians.

"I promise you that Arafat is the first person who thinks any alternative is better than Netanyahu," the Israeli leader told the Knesset.

The dilemma for Mr. Netanyahu is clear. Because a large majority of the Israeli public supports peace, he must

show that he, too, is willing to compromise. To that end, he signed the Wye accord while stressing the threat to Israel's security.

What is less clear is how the Palestinians will respond. For the last few months they have staged some of the largest and bloodiest street demonstrations since the *intifada*, the uprising that ended early this decade. They have protested on behalf of the hundreds of Palestinians who remain in Israeli jails.

The Palestinians' sense of grievance has only deepened since Mr. Netanyahu froze all Israeli troop withdrawals from the West Bank on Dec. 2.

If the Palestinian violence continues or intensifies during Israel's election season, it is likely to benefit Mr. Netanyahu and reinforce his message that Mr. Arafat is not keeping his end of the bargain.

Conversely, if the Palestinians are quiet in the coming months, that would likely help Mr. Netanyahu's more dovish challengers. The main opposition Labor Party, led by Ehud Barak, a former chief of staff of the Israeli Defense Forces, would love to shift the campaign's focus away from security and toward education, health care, unemployment and other social issues that look like winners given the anemic state of Israel's economy.

"Security is always going to be an issue in Israel," said James Carville, the former Clinton campaign adviser, who is now a consultant to Mr. Barak. But, Mr. Carville added, "We're going to talk about the fact that the economy isn't any good, and that Netanyahu has been held hostage to an extreme faction in his coalition."

The question of whether the election will turn on issues of security or economy is a game of competing campaign strategies and tactics. And it is also about the current state of Israeli society.

By most indices, Israel is vastly stronger than any of its Arab neighbors and richer than all of them combined. But many on the Israeli right, including Mr. Netanyahu, persist in the notion that the country's very existence is at risk, and with it the long-term survival of the Jewish people.

On the other hand, to candidates on the left, some of whom are regarded as naively optimistic about Arab intentions, Israel no longer faces an existential threat and can afford to turn its attention to its citizens' quality of life.

For the Palestinians, too, the coming months are likely to be a moment of definition.



Palestinian worshippers leaving Al Aqsa mosque in Jerusalem on Friday. About 200,000 Muslims gathered for prayer under tight security.

Mr. Arafat has full or partial control over 29 percent of the West Bank and most of the Gaza Strip. Clearly, he regards any of the more dovish candidates in Israel's political firmament as more palatable peace partners than Mr. Netanyahu, since they would be more likely to carry out the further, agreed-to troop

withdrawals from the West Bank.

But Mr. Arafat is 69 years old and in questionable health, and it is uncertain whether he can or will clamp down on extremist violence or maintain the calm on the Palestinian streets that would help elect a candidate to the left of Mr. Netanyahu.

## Russian Communist Leader Assails 'Zionist Plunder'

By David Hoffman  
Washington Post Service

MOSCOW — The Communist Party leader, Gennadi Zyuganov, has declared in an open letter his belief in a Zionist conspiracy to seize power in Russia and asserted that "Zionist capital" has wrecked the Russian economy.

The letter appeared to be aimed at the Russian business tycoons, known as the "oligarchs," who were instrumental in re-electing President Boris Yeltsin over Mr. Zyuganov in 1996. Most of the small circle of tycoons are Jewish.

Mr. Zyuganov wrote the letter in the aftermath of criticism of Albert Makashov, a member of his party in Parliament, the Duma. In recent months, Mr. Makashov has made virulently anti-Semitic statements. The lower house of the Duma, in which the Communist Party is the largest faction, has refused to condemn Mr. Makashov.

In the letter, made public this week, Mr. Zyuganov said members of his party

had made "insufficiently considered remarks directed against Jews" that were "contrary to the directives" of the party. He did not name Mr. Makashov.

But he devoted most of the letter to an attack on Zionism that echoed some of the most strident Soviet-era propaganda. Mr. Zyuganov said Zionism was not a movement of Jews returning to their homeland. Rather, he said, "Zionism has in reality revealed itself as one of the varieties of the theory and practice of the most aggressive imperialistic circles striving for world supremacy."

"In this respect it is similar to fascism," he wrote. "The only difference between them is that Hitler's Nazism was performing under the guise of German nationalism and sought world supremacy openly. And Zionism, performing under the guise of Jewish nationalism, is operating stealthily, using other people's hands."

Mr. Zyuganov said that by attacking Zionism he did not mean to attack Jews. "We have never put an equation mark

between the notions of a Jew and a Zionist," he said. "The spread of Zionism among the Jewish people is by far not the fault, but a misfortune, of the Jewish people."

The remarks of Mr. Zyuganov, a former Soviet Communist Party ideologist, were taken right from the pages of anti-Zionist diatribes of the Stalin years and later.

Mr. Zyuganov said that while Jews were welcome to leave Russia or recognize it "as their only motherland," they could not be some kind of "inner emigrant in it, acting for the damage of her interests in favor of another state or an international corporation."

He then attacked the Jewish financiers without naming them. One of the oligarchs, Boris Beresovskiy, has called for outlawing the Russian Communist Party.

"Our people are not blind," Mr. Zyuganov said. "They cannot but see that Zionization of the government authorities of Russia was one of the reasons for

the present catastrophic conditions of the country, mass impoverishment and dying-out of its population."

"They cannot turn a blind eye to the aggressive, destructive role of Zionist capital in ruining Russia's economy and plundering her property owned by all," the letter declared.

**Duma Censures Zhirinovsky**

The Duma censured Vladimir Zhirinovsky, an ultranationalist leader, for insulting fellow lawmakers after he shouted that the Communists deserved to be shot, the Associated Press reported.

The lower house voted, 242-1, to bar Mr. Zhirinovsky from taking the floor for a month after a squabble over ratification of a friendship treaty with Ukraine. Mr. Zhirinovsky, who leads the third-largest Duma faction, said the treaty would hurt Russian interests. After the Communists and other factions voted for and ratified the treaty, he erupted in anger.

## A General Quits to Join Israel Party

New Group of Centrists To Battle Netanyahu

By James Rupert  
Washington Post Service

JERUSALEM — A popular former military chief of staff, General Amnon Lipkin-Shahak, has left the armed forces to help lead a new centrist political party against Prime Minister Benjamin Netanyahu in coming elections.

General Lipkin-Shahak, who polls show is Mr. Netanyahu's most formidable challenger, said in a newspaper interview Thursday that he plans to join Mr. Netanyahu's former finance minister, Dan Meridor, in forming the party. He said he would either run as the party's candidate for prime minister or defer to Mr. Meridor if that appeared to create a stronger ticket.

Mr. Meridor, who has declared his candidacy for prime minister, praised General Lipkin-Shahak as "reliable and sensible," and said he is "a man I would like to see in our political world."

A new party embracing General Lipkin-Shahak — a protégé of Yitzhak Rabin, the former prime minister and Labor Party leader — and Mr. Meridor, until Tuesday a pillar of the Likud party, would have instant credibility in the race for power and might represent a fundamental realignment of Israeli party politics, in the view of analysts here.

Israeli news reports have said the party might be joined by the former Tel Aviv mayor Roni Milo, also a member of the Likud.

The Israeli Parliament, the Knesset, earlier this week gave initial approval to elections for Parliament and a prime minister this spring. Mr. Netanyahu went along with the measure after failing to prevent defections by conservative members of his coalition who were angered by territorial concessions he made to the Palestine Authority in the Wye River peace accord in October.

After making an initial land transfer to the Palestinians under the accord, Mr. Netanyahu has suspended further transfers on grounds that the Palestinians have not lived up to security commitments called for in the agreement.

At an army processing center Thursday morning, Israeli journalists mobbed General Lipkin-Shahak as he mustered out. The general smiled and asked, "What am I so important?"

Political analysts compare General Lipkin-Shahak's popularity to that in the United States of Colin Powell, the retired general whom polls showed as a strong potential candidate for president in 1996. Like General Powell then, General Lipkin-Shahak is respected for his military career but has offered few concrete political positions.

However, General Lipkin-Shahak is known to favor a pragmatic approach toward making peace with the Palestinians. Mr. Rabin, who led Israel into the peace process, gave General Lipkin-Shahak the job of negotiating details of Israel's withdrawal from parts of the Gaza Strip and West Bank.

General Lipkin-Shahak's Palestinian negotiating partner, Nabil Shaath, has since said he respects the general and regards him as a friend.

In the interview, General Lipkin-Shahak said his top priority is to oust Mr. Netanyahu, with whom he had a prickly relationship as military chief of staff. Military sources indicated that the general questioned Mr. Netanyahu's leadership and regarded his actions as unnecessarily provocative toward the Palestinians.

## TRAVEL UPDATE

### Air Liberte Pilot Strike

PARIS (AP) — Pilots for Air Liberte have threatened a 48-hour walkout set to begin New Year's Eve.

Pilots began a 48-hour strike at noon Thursday, demanding that the British

Airways subsidiary give them an extra day of rest.

### Delhi Airport Upgrade

NEW DELHI (Reuters) — An all-weather landing system is to be installed at the Delhi airport within a year to avoid severe disruption of flights because of fog, a government spokesman said.

Since Dec. 18, thick fog over New Delhi has wreaked havoc with flight schedules. Hundreds of passengers were left stranded as airlines had to cope with massive cancellations or flight diversions. The fog lifted Friday.

### DEATH NOTICE

JULIA PROSSER BROWN, 88

Peacefully on December 22, 1998.

Funeral in Salisbury, CT, U.S.A.

Congregational Church,

December 28 at 10:30 am

## WEATHER

### Europe

| City       | High | Low | High | Low |
|------------|------|-----|------|-----|
| London     | 44   | 34  | 44   | 34  |
| Paris      | 44   | 34  | 44   | 34  |
| Rome       | 44   | 34  | 44   | 34  |
| Moscow     | 44   | 34  | 44   | 34  |
| Stockholm  | 44   | 34  | 44   | 34  |
| Oslo       | 44   | 34  | 44   | 34  |
| Reykjavik  | 44   | 34  | 44   | 34  |
| Helsinki   | 44   | 34  | 44   | 34  |
| Berlin     | 44   | 34  | 44   | 34  |
| Frankfurt  | 44   | 34  | 44   | 34  |
| Munich     | 44   | 34  | 44   | 34  |
| Zurich     | 44   | 34  | 44   | 34  |
| Geneva     | 44   | 34  | 44   | 34  |
| Brussels   | 44   | 34  | 44   | 34  |
| Amsterdam  | 44   | 34  | 44   | 34  |
| Copenhagen | 44   | 34  | 44   | 34  |
| Stockholm  | 44   | 34  | 44   | 34  |
| Oslo       | 44   | 34  | 44   | 34  |
| Reykjavik  | 44   | 34  | 44   | 34  |
| Helsinki   | 44   | 34  | 44   | 34  |
| Berlin     | 44   | 34  | 44   | 34  |
| Frankfurt  | 44   | 34  | 44   | 34  |
| Munich     | 44   | 34  | 44   | 34  |
| Zurich     | 44   | 34  | 44   | 34  |
| Geneva     | 44   | 34  | 44   | 34  |
| Brussels   | 44   | 34  | 44   | 34  |
| Amsterdam  | 44   | 34  | 44   | 34  |
| Copenhagen | 44   | 34  | 44   | 34  |

### Forecast for Sunday through Tuesday, as provided by AccuWeather.

| City       | Sun    | Mon    | Tue    |
|------------|--------|--------|--------|
| London     | Cloudy | Cloudy | Cloudy |
| Paris      | Cloudy | Cloudy | Cloudy |
| Rome       | Cloudy | Cloudy | Cloudy |
| Moscow     | Cloudy | Cloudy | Cloudy |
| Stockholm  | Cloudy | Cloudy | Cloudy |
| Oslo       | Cloudy | Cloudy | Cloudy |
| Reykjavik  | Cloudy | Cloudy | Cloudy |
| Helsinki   | Cloudy | Cloudy | Cloudy |
| Berlin     | Cloudy | Cloudy | Cloudy |
| Frankfurt  | Cloudy | Cloudy | Cloudy |
| Munich     | Cloudy | Cloudy | Cloudy |
| Zurich     | Cloudy | Cloudy | Cloudy |
| Geneva     | Cloudy | Cloudy | Cloudy |
| Brussels   | Cloudy | Cloudy | Cloudy |
| Amsterdam  | Cloudy | Cloudy | Cloudy |
| Copenhagen | Cloudy | Cloudy | Cloudy |

### Asia

| City       | High | Low | High | Low |
|------------|------|-----|------|-----|
| London     | 44   | 34  | 44   | 34  |
| Paris      | 44   | 34  | 44   | 34  |
| Rome       | 44   | 34  | 44   | 34  |
| Moscow     | 44   | 34  | 44   | 34  |
| Stockholm  | 44   | 34  | 44   | 34  |
| Oslo       | 44   | 34  | 44   | 34  |
| Reykjavik  | 44   | 34  | 44   | 34  |
| Helsinki   | 44   | 34  | 44   | 34  |
| Berlin     | 44   | 34  | 44   | 34  |
| Frankfurt  | 44   | 34  | 44   | 34  |
| Munich     | 44   | 34  | 44   | 34  |
| Zurich     | 44   | 34  | 44   | 34  |
| Geneva     | 44   | 34  | 44   | 34  |
| Brussels   | 44   | 34  | 44   | 34  |
| Amsterdam  | 44   | 34  | 44   | 34  |
| Copenhagen | 44   | 34  | 44   | 34  |

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# '96 CIA Cable Alleged Payoffs to Chinese by U.S. Firms' Consultant

By Jeff Gerth  
New York Times Service

WASHINGTON — CIA officers in China told headquarters in March 1996 that a consultant for American aerospace companies had made payments to Chinese officials in hopes of getting lucrative contracts, U.S. intelligence officials say.

The allegation, made in a secret cable, should have set off alarms. U.S. law bars companies or individuals from paying bribes overseas to secure contracts, and the CIA has agreed to share information about potential criminal activity with the Justice Department.

But for reasons that remain unclear, the cable languished in CIA files for more than two years, the officials said. It was unearthed this year only after congressional committees began examining whether the Clinton administration had compromised national security in its deal to promote high technology exports to China, the officials said.

The consultant is Banning Lee, a Chinese-American who worked for Hughes Space & Communications and

for Loral Space & Communications Ltd.

It is not clear whether the cable specifies on whose behalf Mr. Lee would have been making any payments to Chinese officials, or what kind of officials these were. Nor is it clear whose money the CIA believed it was, or how much money passed hands.

Administration officials say the Justice Department is now examining Mr. Lee's activities more closely.

His lawyer, Brian O'Neill, said his client "has never made any unlawful or improper payments of any kind to any Chinese official."

Spokesmen for Hughes and Loral deny any wrongdoing but declined to discuss Mr. Lee's activities.

A CIA official said the failure to pass the cable on to the Justice Department had been an oversight that was now being reviewed by the CIA's inspector general. But it marks the second time this year that CIA officials have acknowledged they failed to disseminate potentially significant information about questionable dealings involving China and American satellite makers.

The incident also illustrates the pressures that confront U.S. manufacturers as they compete with European companies for a share of a Chinese market in which individual satellite sales can be worth as much as \$1 billion.

Mr. Lee was born in China but educated in the United States, receiving a doctorate from Princeton University in electrical engineering.

Industry executives say he served as a crucial intermediary between U.S. companies and Chinese aerospace officials who on one hand were buying Western satellites and on the other hand marketing their ability to launch these satellites with Chinese rockets.

State Department documents and interviews with industry executives suggest that Mr. Lee appears to have had a hand in both endeavors. During his years working for Hughes, the company sold hundreds of millions of dollars in satellites and telecommunications equipment to Chinese concerns, and Loral made its first satellite sale to China after it hired Mr. Lee.

When he was working at Loral, Mr. Lee suggested the company help

Chinese scientists understand the causes of a failed satellite launch in 1996, according to State Department documents. Loral sent technicians to China, and their dealings with Chinese scientists, carried out without U.S. government approval, are now the focus of a criminal investigation and congressional inquiries.

A federal grand jury is examining whether Loral, in 1996, and Hughes, in an earlier accident investigation, illegally shared U.S. expertise with China, helping it improve reliability of their launchings of satellites and ballistic missiles. The companies deny any wrongdoing.

The company hired Mr. Lee as a Hong Kong-based consultant in 1989, and by the early 1990s, former executives said, Hughes was seeking closer ties to the powerful China Aerospace Corp., which sells missiles, launches rockets and makes communications satellites.

Mr. Lee was an ideal go-between. He had a close working relationship with Liu Jiyuan, chairman of China Aerospace, a satellite industry execu-

tive said.

Mr. Lee moved to Beijing in 1992 and the next year became a full-time Hughes employee, satellite executives said. One executive said the company was so pleased with the business Mr. Lee had generated as a consultant that it failed to conduct a thorough background investigation before hiring him.

One year later, Mr. Lee's Chinese business dealings came under scrutiny within Hughes after company employees in Beijing raised questions about some of his private business deals, said a former Hughes executive, who declined to be identified but read from notes he kept of the inquiry into Mr. Lee's activities.

One of Mr. Lee's separate business deals with a China Aerospace subsidiary entitled him to payments of about \$1 million for every Hughes satellite launched on a Chinese rocket, the former Hughes executive and a government investigator said.

Mr. Lee told Hughes officials that no payments had ever been made, that he had disclosed the general outlines of the deal to the company previously and that

the agreement was no longer active, former Hughes executives said. But some Hughes officials called for his immediate dismissal, the former executives said.

A spokeswoman for Hughes, Helen Sanders, would not discuss Mr. Lee's resignation, saying it was the subject of a confidential agreement. She said Mr. Lee had stopped working for the company in February 1995.

A few weeks later, Loral, which was trying to break into the Chinese market, hired Mr. Lee, aerospace executives said. Thomas Ross, Loral's vice president for government relations, said the company was not aware of any "allegations at the time" it hired Mr. Lee and knows of "no allegations of wrongdoing by Lee during the period he has served as a consultant to Loral."

A former Loral executive said Loral's chief of security had been concerned about Mr. Lee's close ties to Chinese officials. But other satellite executives said Loral had been pleased with Mr. Lee's work, especially his instrumental role in getting Loral to sell its first satellite to China, Chinastat 8.

## Cold Blamed For 30 Deaths

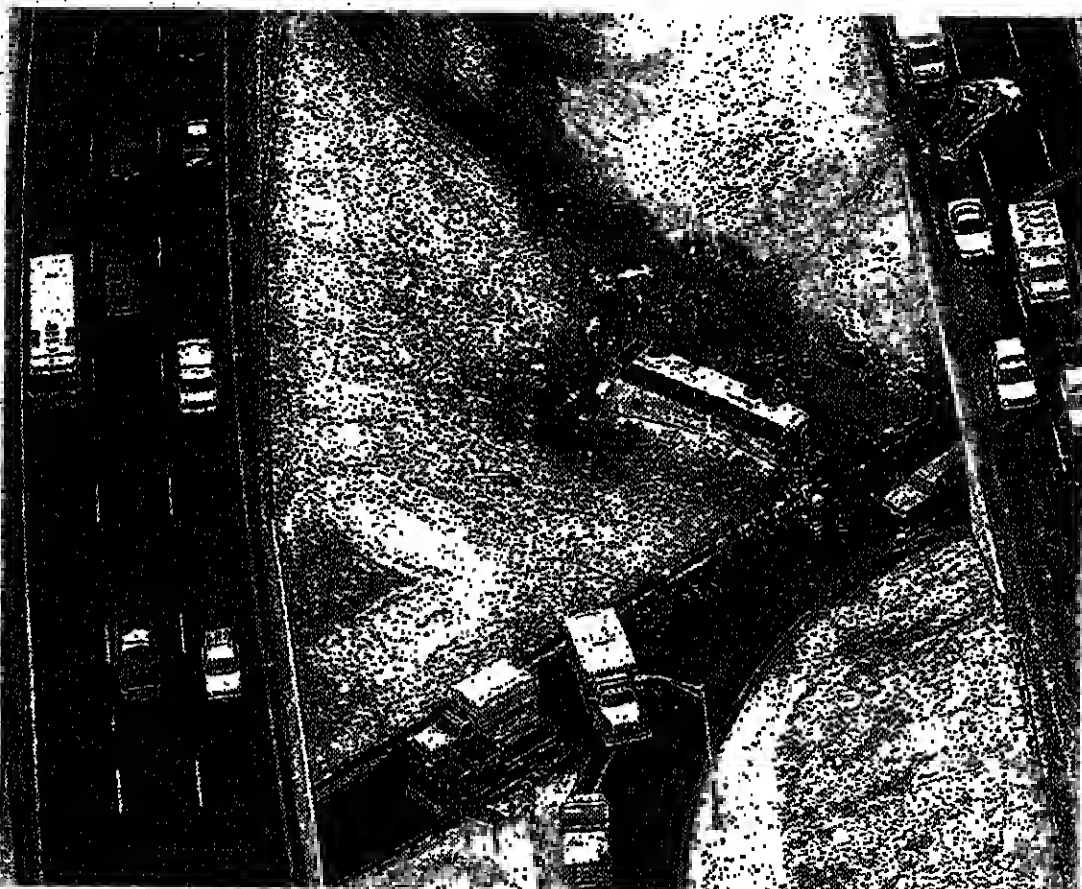
NEW YORK — A cold snap across the United States has been blamed for at least 30 deaths and may have played a role in a bus crash on a New Jersey highway that killed eight people.

The bus, carrying 23 people from Brooklyn to Atlantic City for a day of casino gambling, spun around on the Garden State Parkway in New Jersey, slashed through a guard rail and plunged down an embankment, rolling over several times. Fifteen were injured, many critically.

No other vehicle was involved, and snow had been plowed from the parkway, which was dry. Witnesses, however, said speeding and snow patches may have been factors.

About 90,000 households in Virginia, North Carolina, Tennessee, Mississippi and Louisiana went into Christmas without electricity after sleet and freezing rain toppled power lines, created slick roads and caused dozens of deaths.

The cold snap, which began over the weekend, made driving perilous across the nation and devastated the citrus crop in California, annual citrus crop, inflicting upwards of a half-billion dollars in damage and raising the prospect of higher consumer prices. (AP, NYT)



A bus lying on its side after crashing through a guardrail on a New Jersey highway Thursday and rolling down an embankment, injuring 15. It was unclear whether cold and snow were factors.

## Jubilant Welcome for Octuplets Nigerian Community in Houston Rushes In to Help

By Tom Kenworthy  
New York Times Service

HOUSTON — Houston's large and vibrant Nigerian immigrant community, where traditional ties of extended families and ethnic groups remain strong, has started building a support system for the world's only surviving octuplets, born to a young Nigerian-born couple here and struggling to survive at Texas Children's Hospital.

Just a few days after seven of the babies were delivered by Caesarean section Sunday, joining a sibling delivered naturally on Dec. 8, a community fund, the USAfrica Children's Support Network, has been established by the USAfrica newspaper that will provide financial, psychological and child-care assistance to what almost instantly became a very large family.

"It's been an outstanding response, it's incredible," said Chido Nwangwu, the founder and publisher of the paper.

If tradition holds — and by all accounts the babies' mother, Nkem Chukwu, 27, and father, Iyke Louis Udobi, 41, reverse their traditions — the eight babies will be welcomed into the community at a jubilant naming ceremony after they leave the hospital.

A kola nut will be broken and the babies will lick the oil from their father's finger, the titled men of the community will give the father authority to name them and guests will place money on the children's heads.

"After that is food and drink and dancing and jubilation," said N'Ekwuife Muoneke, a community leader and math professor at Prairie View A&M.

The six girls and two boys remain in critical condition, though doctors said seven could be off ventilators by next week.

Mrs. Chukwu came to the United States as a child, part of a tide of immigrants from Nigeria attracted by educational opportunities and later propelled by political instability, military coups and economic difficulty. Both she and her husband, a respiratory therapist at St. Joseph's hospital and part-time real estate agent, are now U.S. citizens.

The influx was largely a middle class and professional one, Mr. Muoneke said, but the tradition of the extended family remains strong here, and will ensure that the care and guidance of the octuplets will fall not just to their parents but to a larger community.

■ **Father Faces Assault Charges**

The children's father faces assault charges stemming from a September altercation at his home with his mother-in-law, the Los Angeles Times quoted authorities as saying.

He is scheduled to appear in court Feb. 8 on the misdemeanor charges, which carry a maximum penalty of one year in jail.

The parents have announced the babies' names, reflecting their Igbo ethnic group's traditions, and their English meanings include "God is Great" and "God is My Leader."

## POLITICAL NOTES

### First Signs of Political Fallout

WASHINGTON — In a small, but telling sign of the political fallout from the House impeachment vote, a handful of local election officials in various parts of the country say a surprising number of people have officially changed their party registration from Republican to Democrat.

At this point, the number of party switchers is far too small and occurring in far too few places to qualify as any sort of national trend. Typically they number less than 100 in localities where the total registration among Republicans and Democrats is in the hundreds of thousands. Still, county election officials say it is rare during this time of year for anyone to change party affiliation.

Although there are scattered instances of switching that appear to be connected to the vote by the House to impeach Mr. Clinton, officials in many counties say they have not discerned movement away from the Republicans. (NYT)

### Poll Shows a Hesitant Senate

WASHINGTON — An informal Senate poll by the Sen-

ate minority leader before the holiday break shows that support for removing Mr. Clinton from office is short of the two-thirds majority required under the constitution.

A total of 67 senators would be needed to find Mr. Clinton guilty of the two articles of impeachment approved by the House of Representatives: perjury and obstruction of justice in his handling of the Monica Lewinsky affair.

A spokesman for the Senate minority leader, Tom Daschle of South Dakota, said he had been canvassing Senate sentiment and found support for removal short of that number. The Senate is to begin a presidential impeachment trial when it returns on Jan. 6. (Reuters)

### Quote/Unquote

Vice President Al Gore, in a CNN interview with Jesse Jackson to be shown Sunday, on whether Mr. Clinton will resign: "He is more likely to be hit by a meteor than he is to make a decision to resign. If he was going to make a decision like that, he would have given up a long time ago, earlier in his life, with all of the hardship that he had. His father died before he was born, he grew up in poverty, he overcame the odds to be elected. He is not going to resign."

### Away From Politics

• The number of killings reported so far this year in New York City has fallen to 606, putting the city on a pace to end the year with fewer homicides than it had in 1994. The huge drop means the city will log less than a third the number in 1990, when a record 2,262 people were killed. Reported crime dropped in every borough, in the suburbs and in public housing. Experts point to the stronger economy, a drop in the number of people in their late teens and early 20s, the waning of the crack epidemic and an increase in the number of people behind bars. But a growing number of criminologists now also give credit to police assignments and strategies. (NYT)

• Montana's one-of-a-kind daytime speed limit — written in law as whatever speed is "reasonable and proper" but widely interpreted as wide open — has been struck down by the Montana Supreme Court. The court said the law was unconstitutionally vague. The ruling has prompted fears that lack of even a vague limit will lead people to drive at breakneck speeds. (NYT)

• Four people died in the superheated, smoke-filled stairwell of a Manhattan high-rise building as they tried to escape a fire that started in a 19th-floor apartment where the family of the actor Macaulay Culkin lived. The victims — three women and one man living floors above the fire — were probably trapped in what Fire Commissioner Thomas Von Essen described as "a blast of heat and smoke that went up the stairway like a chimney." Fire officials have not determined

the exact cause of the blaze but said they suspected that an electric heat pump in the apartment may have shorted out. The Culkin family escaped without injury. The building on West 60th Street has 542 apartments on the upper floors and offices on the lower 10 floors. (NYT)

• In a highly unusual racial discrimination case, the U.S. Equal Employment Opportunity Commission has determined that black officers in the Baltimore Police Department have been disciplined more harshly in recent years than white officers. The finding grew out of a complaint by Louis Hopson Jr., a black police sergeant with 18 years on the force who was discharged this year after a police disciplinary board ruled that he had made a false statement in a trial. Mr. Hopson, 47, said he was dismissed because he testified two years ago before a City Council committee that racial slurs and harassment against black officers were common within the department. (NYT)

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# Peace on Earth

"And hold fast all together, by the rope which God (stretches out for you), and be not divided among yourselves.

And remember with gratitude God's favor on you for you were enemies and he joined your hearts in love, so that by His grace you became brethren.

And you were on the brink of the pit of fire and he saved you from it. Thus does God make his signs clear to you that you may be guided."

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**International Herald Tribune**  
THE WORLD'S DAILY NEWSPAPER





The Pope greeting the tens of thousands who heard his speech Friday.

## Papal Christmas Appeal Warns Against Violence

By Sarah Delaney  
Washington Post Service

VATICAN CITY — Pope John Paul II made a strong Christmas appeal Friday to banish the death penalty and the exploitation of children and warned against becoming inured to the violence that continues in many parts of the world.

In his "Urbi et Orbi" ("To the City and To the World" in Latin) message on Christmas Day, the Pope spoke of daily news reports of events "soaked in fratricidal hate and even malice" and asked that "the light of Bethlehem save us from the danger of becoming resigned to so tormented and distressing a scenario."

**John Paul gave his Christmas greetings heartily in 58 languages.**

The Middle East was the only region John Paul addressed specifically.

To about 30,000 people gathered in a sun-filled St. Peter's Square, the pontiff remembered the Christmas carol "O Come, All Ye Faithful," and asked, "How many expressive songs has Christmas inspired in every people and culture?" He brought the question into keeping with his message of warning: "How can we fail to notice the stark contrast between the serenity of the Christmas carols and the many problems of the present hour?"

The 78-year-old Pope came down with the flu a week ago. Although looking worn, John Paul gave his Christmas greetings heartily in 58 languages, most volubly in Italian and Polish.

He then repeated his call for an end to violence and the death penalty, apparently addressing a group of about 2,000 protesters against capital punishment who finished a march at St. Peter's Square.

The march, led by the mayor of Rome, Francesco Rutelli, and leader of the Radical Party, Marco Pannella, began in the historical center at Campo dei Fiori, in front of the statue of Giordano Bruno, a heretic who was burned alive in 1600.

John Paul also offered a "cordial greeting to the Kurdish people," a group of whom earlier had tried to enter the basilica carrying an Italian flag. Guards stopped them from bringing in the flag, the news agency ANSA said, but allowed them in.

On Thursday night, in the traditional Christmas Eve Mass at St. Peter's, John Paul told the thousands in the basilica and in the square watching on a huge screen, "My thoughts already turn to Christmas next year." The Holy Year he has declared for 2000 begins officially on Dec. 24.

## The Not-So-Hard Times of a Newspapering Life

By Russell Baker

NEW YORK — Since it is Christmas, a holiday when nobody reads a newspaper anyhow, and since this is the last of these columns titled "Observer" that have been appearing in The New York Times (and the International Herald Tribune) since the 1960s, I shall take the otherwise inexcusable liberty of talking about me and newspapers.

I love them. I have loved them since childhood, when my Uncle Allen regularly brought home Hearst's New York Journal-American with its wonderful comics, Burris Jenkins cartoons and tales of rich playboys, murderous playgirls and their love nests. At that age I hadn't a guess about what a love nest might be, and didn't care, and since something about "love nest" sounded curiously illegal, I never asked an adult for edification.

On Sundays Uncle Allen always brought The New York Times and read himself to sleep with it. Such a dismal mass of gray paper was of absolutely no interest to me. It was Katzenjammer Kids and Maggie and Jiggs of the King Features Syndicate with whom I wanted to spend Sunday.

At my friend Harry's house, I discovered the New York tabloids. Lots of great pictures. Dick Tracy! Plenty of stories about condemned killers being executed, with emphasis on what they had eaten for their last meal, before walking — the last mile! The tabloids left me enthralled by the lastness of things. Inevitably, I was admitted to practice the trade, and

I marveled at the places newspapers could take me. They took me to suburbs on sunny Saturday afternoons to witness the mortal results of family quarrels in households that kept pistols. They took me to hospital emergency rooms to listen to people die and to ogle nurses.

They took me to the places inhabited by the frequently unemployed and there taught me the smell of poverty.

In winter there was also the smell of deadly kerosene stoves used for heating, though their tendency to set bedrooms on fire sent the morgue a predictable stream of customers every season.

The memory of those smells has been a valuable

### OBSERVER

piece of equipment during my career as a columnist. Columnists' tendency to spend their time with life's winners and to lead lives of isolation from the less dazzling American realities makes it too easy for us sometimes to solve the nation's problems in 700 words.

Newspapers have taken me into the company of the great as well as the greatly celebrated.

On these expeditions I have sat in Elysée Palace and gazed on the grandeur that was Charles de Gaulle speaking as from Olympus. I have watched Nikita Khrushchev, fresh from terrifying Jack Kennedy inside a Vienna Embassy, emerge to clown with the press.

I have been apologized to by Richard Nixon. I have seen Adlai Stevenson, would-be president of the United States, shake hands with a department-store dummy in Florida.

I have been summoned on a Saturday morning to the Capitol to meet Lyndon Johnson, clad in pajamas and urgently needing my advice on how to break a civil-rights filibuster.

I have often been played for a fool like this by other interesting men and, on occasion, equally interesting women.

Pope John XXIII included me in an audience he granted the press group en route to Turkey, Iran and points east with President Eisenhower. The Pope's feet barely reached the floor and seemed to dance as he spoke.

Newspapers took me to Westminster Abbey in a rented white-tie-and-topper to see Queen Elizabeth crowned and to Versailles in another rented white-tie-and-topper to share a theater evening with the de Gaulles and the John F. Kennedys.

Thanks to newspapers, I have made a four-hour visit to Afghanistan, seen the Taj Mahal by moonlight, breakfasted at dawn on lamb and couscous while sitting by the marble pool of a Moorish palace in Morocco, and once picked up a persistent family of fleas in the Balkans.

In Iran I have ridden in a press bus over several miles of Oriental carpets with which the shah had ordered the street covered between the airport and the town to honor the visiting Mr. Eisenhower, a man who, during a White House news conference which I attended in shirtdresses, once identified me as "that man that's got the shirt on."

I could go on and on, and probably will somewhere sometime, but the time for this enterprise is up.

Thanks for listening for the past 3 million words.

New York Times Service

## Erotic Film Touches a Nerve in Indian Fringe Group

By Barry Bearak  
New York Times Service

NEW DELHI — Of the two beautiful women, one was married to a cad, the other to a fool, and when these husbands proved neglectful, the wives themselves fell into bed, their fingers touching each other's skin as if feeling an intricate brocade.

This scene from "Fire" is the first time an Indian film has explicitly shown homosexual relations, an event both repellent and opportune to a warring Hindu movement known as Shiv Sena. Its offended followers have attacked theaters, shutting down the movie in Bombay, New Delhi and other cities.

"I have become the victim of an Indian gestic," lamented Deepa Mehta, 43, director of the film. "This is so very ridiculous — and also so scary. I don't even think it's the lesbianism that threatens them. It's that the movie says women have choices, and that is frightening to a male-dominated society."

Ms. Mehta, who divides her time between Toronto and New Delhi, was seated in a front room of her parents' home here as three court-ordered bodyguards — severe-looking men with automatic weapons — kept watch outside.

Made in 1996 and already shown in several countries, "Fire" has struck some critics as sensitive and acute and others as a soap-operatic bore. The government's Censor Board approved the movie without cuts in May, and it had been playing to good crowds for two weeks before Shiv Sena discovered the nature of its romantic heart.

"Is it fair to show such things which are not part of Indian culture?" Balasah Thackeray, the leader of Shiv Sena, asked in a magazine interview. "It can corrupt tender minds. It is a sort of a social AIDS."

Using a politically correct mix of men

and women and alerting the news media beforehand, so-called Shiv Sainiks rampaged through a matinee show in Bombay on Dec. 2, snatching glass and burning posters.

The next day, theaters in New Delhi, Pune and Surat were similarly hit. Then came a theater in Calcutta, though the audience there fought off the marauders and the movie remained open.

With these highly publicized incidents, the nation's elite began taking sides. The respected film star Dilip Kumar spoke in favor of artistic freedom, only to find near-nude Shiv Sainiks circling his home. If Mr. Kumar favored such cinematic modesty, they reasoned, he should be treated to a continuing procession of men in underpants.

For the country's Hindu nationalist leadership — troubled by heaps of dirty linen among the strange bedfellows in its coalition government — its Shiv Sena allies have become an embarrassment.

Mr. Thackeray's party controls the populous state of Maharashtra, but his support is accompanied by his tongue — an instrument that has praised Hitler while denouncing Christians, Muslims and Sikhs. This year, a report of a judicial inquiry named him a provocateur of frenzied Hindu mobs that in 1992

burned Muslim homes and businesses and killed 1,200 in Bombay.

Just before attacking "Fire," Mr. Thackeray tried to have the Bollywood cricket team banned in India, a notion rebuked by Prime Minister Atal Behari Vajpayee. The prime minister also has condemned the movie theater violence, though it is India's Supreme Court that has commanded protection for Ms. Mehta and the film's exhibition.

Theater owners so far are unwilling to reopen the film. The Censor Board has decided to review its approval of "Fire."

Controversy is nothing new to Indian censor boards, especially given the prodigious film industry's simultaneous instincts for prudishness and lust. In the 1970s, kissing on the lips was being debated while the very same movies reliably featured orgiastic dances by scantily clad women.

Today, bedroom embraces remain as timid as Rock Hudson and Doris Day, though virtually every film has singing sweethearts who do so much pelvic thrusting that a love scene appears more like an exercise video.

"Erotic movement is the devil's food of Hindu cinema," said Vishnu Khare, a film critic. "Everyone may remain fully clothed, but there is a lot of sexual posturing and rubbing together

of bodies. It is a supreme form of voyeurism."

Violence, including rape, is also customary in the films. "The victim either the hero's sister or the hero brother's wife," Mr. Khare said. "It can't be the heroine because by becoming a rape victim a woman becomes untouchable. As soon as I see a hero's sister-in-law, I know she is there to be raped and then killed."

Foreign films are held to a different standard. In New Delhi, some two dozen theaters show "morning movies," a popular pre-noon display of soft pornography from other countries.

"If it's a white female torso, nobody minds it," Mr. Khare said. "It merely proves to Indians how fallen and decadent white people are."

Still, with American films beamed in nightly on satellite television, many Indians fear that their bedrooms are being colonized and their sexual conventions transformed.

At the Shiv Sena headquarters in northern New Delhi, the group's local chief, Jai Bhagwan Goyal, 43, was exasperated.

"Even if we assume lesbianism does happen, what is the point of showing it to people?" he said. "Everyone knows what goes on between a husband and wife, but they do not do it in the middle of a road."

## Russia and Belarus Forge Unity Accord

By Michael Wines  
New York Times Service

MOSCOW — The presidents of Russia and Belarus said Friday that they intended to begin uniting their currencies and much of their economies next year, an action stopping just short of a political merger that would again extend Russian territory to the border of Poland.

Whether such a strategically significant move could occur later was left unclear. President Alexander Lukashenko of Belarus, a fervent proponent of merging his nation into Russia, said he now hoped that the two countries would enter the next millennium as one.

But Russian officials were cooler, with Foreign Minister Igor Ivanov pointing out that the agreement "a declaration, not a treaty." The accord itself specifies that Belarus and Russia would remain "sovereign and equal members of the international community."

President Boris Yeltsin of Russia said that he and Mr. Lukashenko had "raised the issue of uniting our countries into a union state," and added, "One can be proud of such work."

Whatever its details, the announcement is a victory for Mr. Lukashenko, a charismatic dictator who dreams of

someday returning both Belarus and Russia to socialism — and, many say, of ruling them both.

Mr. Lukashenko has sought to reunify the two countries since he became president of Belarus in 1994. But he was headed off each time by pro-Western officials in Mr. Yeltsin's government, among them the economic adviser Anatoli Chubais, who saw Mr. Lukashenko as a threat to capitalist-style reforms.

Mr. Chubais and his allies vanished with the collapse of those reforms in August. The man now in power — Prime Minister Yevgeny Primakov — was one of the leading advocates of unification with Belarus in his previous job as Mr. Yeltsin's foreign minister.

Mr. Yeltsin was the man who shook hands on Friday's agreement, but it is commonly assumed that Mr. Primakov played a substantial role in achieving it.

The accord proposes that officials draft plans by next spring to unify the Russian and Belarusian rubles, to exact identical customs regulations, to agree on measures to protect domestic industries from foreign competition and to standardize regulation of monopolies like electricity companies.

Among other plans, the nations also propose to standardize their labor and

securities laws and grant citizens equal access to educational facilities.

In the end, the accord's fate would lie with the nations' parliaments and with voters, who would consider the measures in a referendum next summer. Politically, however, those hurdles are comparatively low. Russia's Communist Parliament is anxious to rebuild the old Soviet empire, and the country's fall from superpower status has brought a strong nationalistic streak to the surface among many voters.

Belarus is even less of a problem. Mr. Lukashenko installed his own hand-picked Parliament and rewrote the constitution in 1996 through a voter referendum that international observers agree was rigged.

**Russia Ratifies Ukraine Pact**

Russian legislators ratified a long-delayed friendship treaty with Ukraine on Friday after the Russian government warned that rejection would push Kiev toward closer links with the North Atlantic Treaty Organization, The Associated Press reported from Moscow.

The Parliament's lower house, the State Duma, voted by 244 to 30 to ratify the treaty, which was signed in May 1997 by Mr. Yeltsin and President Leonid Kuchma of Ukraine.

### BRIEFLY

#### Senegal Assembly to Get Bill To Ban Female Circumcision

DAKAR, Senegal — Senegal's government has drafted a law banning female circumcision, a controversial traditional operation still performed on about one-fifth of the girls in this West African country.

The decision was made Monday during a cabinet meeting and is expected to be passed through the National Assembly early next year, a government spokesman said Wednesday. Under the proposed law, offenders will be liable to between one and five years in prison.

The practice, sometimes called female genital mutilation, can range from cutting the hood of the clitoris to removal of the clitoris and external vaginal tissue. The most extreme form is infibulation, in which the vaginal entrance is stitched shut until marriage.

Resulting health problems include difficult childbirth, bleeding, infectious disease and sometimes death. The procedure is often performed by traditional health practitioners using unsanitary surgical methods.

(AP)

#### 8 Slain in South African Violence

DURBAN, South Africa — Would-be gate-crashers killed eight people who refused to let them into a Christmas Eve party in South Africa's KwaZulu-Natal Province, police said Friday.

A regional police spokesman, Bala Naidoo, said the murderers "apparently wanted to gate-crash the party but were refused entry" by the host family at Margate, south of the provincial capital, Durban.

The attackers then opened fire with assault rifles and pistols, fatally wounding eight people and injuring two others, before fleeing with the family's stereo system, according to police, quoted by the SABA news agency. Five people escaped unhurt.

President Nelson Mandela, on vacation in his native Qunu village in the Eastern Cape Province, expressed his anger and sadness at the incident and called on people to cooperate with a police manhunt.

(AP)

#### 9 Die at Lima Christmas Party

LIMA — Nine young revelers died at a Christmas party in Lima early on Friday when a tear-gas canister thrown into an overcrowded nightclub sparked a stampede, police said.

The victims, aged between 12 and 21, were crushed to death or suffocated as about 250 party-goers celebrating Christmas at the Suarez nightclub on the poor outskirts of the city tried to flee the choking gas.

Police said another eight people were badly injured in the club, which was filled to double its capacity for Peru's traditional Christmas Eve celebrations, when thousands of young people go to late-night parties and take to the streets with fireworks. Police said they did not know who threw the canister.

(Reuters)

#### For the Record

President Bill Clinton on Thursday nominated the current head of the U.S. Agency for International Development, Brian Atwood, to be ambassador to Brazil. Mr. Atwood has run the foreign aid agency since 1993.

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#### FRANKFURT

St. Leonhard, International Catholic Parish, Alte Mainzer Gasse 8, 60311 Frankfurt, Masses in English: Saturday 5:00 p.m., Sunday 10 a.m. Tel: 465 250177 or J. Schaefer@stleonhard-frankfurt.de

#### PARIS AND SUBURBS

EMMANUEL BAPTIST CHURCH 58, rue des Bore-Poissons, 92500 Puteaux-Malmaison. Services: 9:45 a.m. & 11 a.m. with Sunday School. For info Tel: 47 51 28 5301, 47 49 15 22 or http://www.gccies.com/Paris/memo1252. International Baptist Fellowship meeting at 48 rue de Lille, Paris 7th, 18:30 Sundays. Call Steve for info.

#### THE EPISCOPAL CHURCHES OF EUROPE (Anglican)

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THE AMERICAN CATHEDRAL OF THE HOLY TRINITY, Sun. Eucharist 9 & 11 a.m. Eucharist, 10:00, 22 av. George V, 75008 Paris. Tel: 33 01 33 23 33 00 Metro George V or Alma Marceau

#### CLERMONT-FD (FRANCE)

CHRIST CHURCH (ROYAL) 1st & 3rd Sun. 5 p.m. and St. Jean-Holz (Temple Reforme) 30 av 73 38 41 59

#### FLORENCE

ST JAMES' CHURCH, Sun. 8 & 11 a.m. Via Bernardo Rossini 3, 50123 Florence, Italy. Tel: 39 0 55 294 417

#### ROME

ST PAUL'S WITHIN THE WALLS, Sun. Eucharist 8:30 & 10:30 a.m. Eucharist in Spanish, 1 via Via Nigella 58, 00186, Tel: 39 06 498 3338 or 474 3569

#### KARLSRUHE (GERMANY)

ANGELICAN EPISCOPAL COMMUNITY 1st and 3rd Sunday 5 p.m. in chapel of Luthertempel, Kuchel 24, Tel: 49 (0) 721 283 79 or 49 (0) 721 46 15 95

#### BRUCKMUEHL (GERMANY)

ANGELICAN EPISCOPAL COMMUNITY, meets at Ev. Luthertempel Johanneskirche, 1st Sun. 11 a.m. August, Adolphstr. 18, 63632, Tel: 49 (0) 6254515

#### MUNICH

CHURCH OF THE ASCENSION, Sun. Eucharist 8 & 11:45 a.m. (Sun School) Nursery, Seydewitz 4, 81545 Munich (Hofstaedt), Tel: 49 (0) 89 640105

#### FRANKFURT

CHRIST THE KING Eucharist Sun 9 & 11 a.m. Sunday School Nursery 10:45 Sabbath Rest 22 60323 Frankfurt, Ger. 0123 Miguel-Alex, Tel: 49 (0) 69 6502194

#### WIESBADEN

ST AUGUSTINE OF CANTERBURY Sun. 10 a.m., Frankfurter Str. 3, 65189 Wiesbaden, Tel: 49 (0) 61306574

#### GENEVA

EMMANUEL CHURCH 1st & 3rd Sun 10 a.m. Eucharist, 2nd & 4th Sun. 10:30 a.m. Eucharist, 10:00, 22 av. George V, 75008 Paris. Tel: 33 01 33 23 33 00 Metro George V or Alma Marceau

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ALL SAINTS CHURCH, Sun. 11:15 a.m. (Sun. School), 1st Sun. 9 a.m., 563 Chaussee de Louvain, Chate. Cr. 81 / Coloux, 1410 Waterloo, Tel: 32 (0) 2 394 3555

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L.B.C., The Inverca, Kofarova 64, Audtorium 1048, Worship Sun 10:00 Tel: 071 71337

#### BREMEN

L.B.C., Holtenauerstr. Hermann-Ruge-Str. Worship Sun. 17:00, Pastor telephone: 0421-76548

#### BUCHAREST

L.B.C., St. Xandru nr. 2. This is used to be a chapel 11:45-12:15 Tel: Pastor Bil Bowers Tel: 30-027321-3472

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L.B.C., meets at Munkacsy Zsigmond Gimnazium, Toronyes of 48-54, Sun. 10:00 Tel: 246-1613

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#### DARMSTADT - GERMANY

L.B.C., Wilhelm-Loescher Str 104, Darmstadt-Griesheim, Bible Study Sun. 10:00 Tel: (0611) 941-0025

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INTERNATIONAL CHRISTIAN FELLOWSHIP, Ev. Protestantische Gemeinde, Sonnenstr. 11-19, 60109 Bad Homburg, Sunday Worship, Nursery & SS: 11:00 a.m. Mid-week ministries, Pastor M. Levy CallFax: 06175-62728

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L.B.C. of Zurich, Griesbachstrasse 31, 8003 Rueschlikon, Worship Services Sunday mornings 10:30 Tel: 1-491016



# Like Americans With Lewinsky, Chileans Grow Bored With Pinochet

By Anthony Faiola  
Washington Post Service

SANTIAGO — Mirtha Lopez de Castro, 54, shopping at J.C. Penney in uptown Santiago, doesn't want to hear another word about the scandal. It leads the television news daily; the morning papers capture every gory detail. Even the rough jokes going around town don't seem funny any more.

Monica Lewinsky?

Nope. Try Pinochet.

"If I hear one more thing about this business, I'm going to go nuts!" said Mrs. Lopez, a mother of three and grandmother of six. "Let's just give it a rest. O.K. I don't want to talk about it, I don't want to hear about it. It's Christmas, for heaven's sake, isn't there anything else out there to write about?"

Not much, it seems. Since Oct. 16, when the British police arrested the former Chilean president on charges of sexual harassment during his rule from 1973 to 1990, newspapers, magazines and television news broadcasts here have given blanket coverage to the story.

The 83-year-old former general is spending the holiday under the eye of Scotland Yard while fighting a bid to extradite him to Spain.

"Chileans have what I call the Monica Lewinsky Syndrome," said Ricardo Israel, a political analyst. "The entire political system might be consumed with the Pinochet issue, but the people are tired of hearing about it. They are bored with it, embarrassed by it, sick of it. Right now, they're more concerned about Christmas and the soccer championships."

Ms. Lewinsky and General Pinochet have a lot more in common than it might appear. With new polls showing that 65 percent of Chileans believe that General Pinochet is guilty of the crimes with which he has been charged and 71 percent saying his detention does not affect their lives in any meaningful way, the saga of his legal drama is now playing with the Chilean public in the same way the Lewinsky scandal played in the United States before President Bill Clinton's impeachment Dec. 19 heightened the stakes.

The Pinochet arrest has politicians gaga but the public turning off the evening news.

The military, though angry at some members

of Chile's center-left governing coalition who are publicly supporting General Pinochet's prosecution abroad, has stayed in its barracks and never seriously considered leaving them. And the initial swell of bizarre reactions here is slowly ebbing, making the story less fun for all.

A conservative congressman who went on a hunger strike in solidarity with General Pinochet has, for instance, given in to Yuletide yearnings for holiday treats. Even the weekly burnings of the Union Jack by rightists are losing their verve.

Underlining just how calm things are, the Socialist Party — overthrown by General Pinochet in a bloody 1973 coup — is fielding the strongest candidate for president in next year's elections despite conservatives' attempts to use the general's detention as a national rallying cry against the "international socialist menace."

Many are heralding the quiet as evidence that Chile has faced down the greatest test yet in its eight-year transition to democracy and passed with laudable marks.

"If there's any proof that there's no turning back to the old days of the military, it's what's

happening right now," said Raul Sohr, a noted news commentator. "Look around you. Pinochet is suddenly gone from Chile, and what's happening? The politicians are fighting, the left is happy, the right is mad, but everything is basically calm. So calm that the average Chilean isn't really worried about instability and just wants to put this behind him."

General Pinochet's arrest initially consumed Chileans, who eagerly followed as a series of legal decisions and challenges involving his arrest and possible extradition played out in the British judicial system. But as it has become apparent that the case will not be settled soon, his fate has turned into an issue that most average Chileans seem willing to do anything to avoid.

Politicians, however, remain obsessed with the Pinochet affair. With much fanfare, the government announced new measures against Britain and Spain this week. Chile has recalled its ambassador from London and, under pressure from the military leadership, is studying a possible end to weapons purchases from both countries.

It was partly the military's urging that brought

about the most serious measure against Britain — a call on Lan Chile, the national airline, to cut the only commercial flights to Britain's Falkland Islands, off the coast of Argentina. Lan Chile said this week it would cease service starting March 31, a move that could bring economic havoc to the disputed islands, over which Britain and Argentina fought a war in 1982.

That's about as far as Chile's business community appears prepared to go to win back General Pinochet, who championed the free-market economy in South America as the country's leader. Calls by the right to break diplomatic ties with Britain and Spain have been assailed by Chilean business leaders.

"Look, it would be total madness to sever ties," said Marie Aguiar Valenzuela, vice president of the National Chamber of Commerce, sitting in his high-rise office with a framed picture of him and General Pinochet shaking hands displayed prominently in one corner. "We businessmen are behind the general 100 percent. But industry in this country would lose millions, the whole nation would lose, if we severed economic ties."

## 4th Trial Set As China Steps Hard On Dissent

Compiled by Our Staff From Overseas

BEIJING — A Chinese dissident charged with endangering state security in informing Radio Free Asia, which is funded by the U.S. government, about farmer protests is to be tried in an unusual Sunday session and could face a death sentence.

Zhang Shangnan will be the fourth opposition figure tried in two weeks as China moves to repress dissent.

Mr. Zhang, 45, who already has spent seven years in jail for labor-rights campaigning, will go on trial in Hainan, in the southern province of Hainan, a court official confirmed Friday. "The trial will not be open to the public," he said without elaborating. The official said the trial would be held Sunday, when courts usually are not in session, because of a backlog of cases.

Human Rights in China, which is based in New York, said that Mr. Zhang was accused of "illegally providing intelligence to overseas enemy organizations and people."

According to the Chinese criminal code, conviction generally would be punishable with a jail term, but the court could apply the death penalty if it deemed that national interests had been seriously endangered.

Mr. Zhang's wife, Hou Xuezhui, said he had been interviewed by Radio Free Asia in March and had discussed excessive fees and taxes charged to Chinese farmers by local officials.

Human Rights in China said Mr. Zhang had told the network about a demonstration by 70 to 80 farmers in Xupu county in Hunan and about another protest by farmers against excessive taxes that turned deadly.

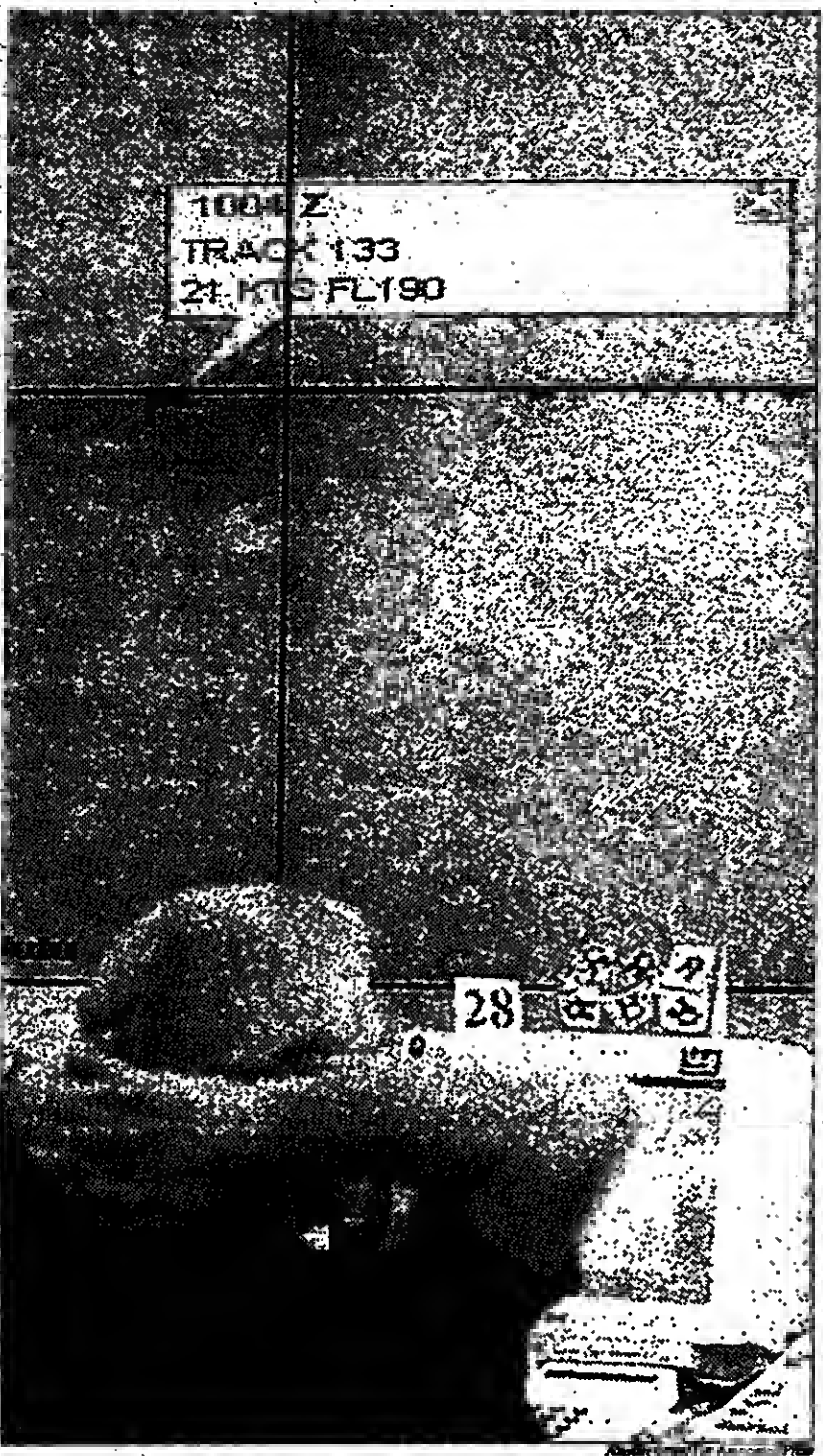
Mr. Zhang, who had been preparing an association to protect the rights of laid-off workers, has been detained since July.

His trial follows those of Xu Wenli, Qiu Yongmin and Wang Youcai, who were sentenced this month to terms ranging from 11 to 13 years. The three prominent dissidents were charged with endangering state security for trying to organize an opposition political party.

Chinese leaders have declared that they will destroy challenges to Communist Party rule. President Jiang Zemin this week ordered law-enforcement officials to eliminate any threats to "social stability."

The Information Center of Human Rights and Democratic Movement in China, a group based in Hong Kong, reported that two democracy activists who have U.S. residency permits, Zhang Lin and Wei Yongbin, have been missing, possibly detained, in China since mid-November after slipping in earlier in the month.

(AP, Reuters)



A London-based worker watching a screen indicating the balloon's position Friday after Mr. Branson said the flight would be abandoned.

## BALLOON: Round-the-World Flight Fails

Continued from Page 1

It was not to be. The hot air balloon, which took off from Morocco on Dec. 18, hit an area of low pressure over the Pacific Ocean, and the team feared it would take a week to get out of the trough.

Others are queuing up to break the record. Colin Prescott promised that his Cable & Wireless balloon would be launching from Spain within three days, weather permitting.

He wished Mr. Branson a safe landing, telling Sky Television: "We have enormous sympathy for him. He has

done a fantastic job. It is sad they have to come down so soon."

Crossing the world's biggest ocean was always going to be the most dangerous and daunting hurdle for the team.

But up until then, the biggest headaches had been political.

On Tuesday, the balloon drifted off an agreed course over China. Beijing ordered the balloon to land but relented after the intervention of Prime Minister Tony Blair of Britain. It then managed to avoid North Korea, which had forbidden the craft from entering its airspace.

(Reuters, AP)

## EUROPE: The Transnational Generation Does Without Borders

Continued from Page 1

Eurostat. Those who do mostly find jobs in the service industry as waiters, maids or garbage collectors. There are still legal barriers preventing most doctors, lawyers and academics from finding work in other countries.

So far, the European Union has been most profitably put to use by white-collar business executives who eagerly followed career opportunities across national borders, time zones and language barriers.

Twenty-five years ago that kind of mobility was the preserve of a far smaller elite, the top executives of major companies or multinational corporations. Technology, from high-speed trains to the ever-evolving apparatus of business — lap-top computers, cell phones, fax machines — has made European mobility accessible to mid-level managers, young entrepreneurs and even students. Cable television, which allows Germans to watch Italian game shows or Swedes to watch French news programs, has spread the Zeitgeist to the masses.

This year, Superge, an Italian brand of sports clothes and shoes, opened a major advertising campaign with a series of magazine ads that show fashionable young people sauntering with European leaders — a leggy young woman pushes her bicycle up the steps of the Elysee Palace to greet President Jacques Chirac, a young man playfully sticks his tongue out the window of the plane of former Chancellor Helmut Kohl.

"This kind of ad would not have been possible 5 or 10 years ago," said Aldo Cernuto, executive creative director of the Milan office of Pirella Göttsche Lowe, an international advertising agency.

"Now European unification is on the TV all the time; it has seeped into people's unconscious. Even people who do not care about politics recognize the faces of a Tony Blair or Jacques Chirac. Ten years ago, very few people did."

According to the European Union, Britain has twice as many non-British EU citizens as France, but it is not the country with the highest concentration of residents from other European countries. According to estimates based on surveys prepared by Eurostat, nearly a third of the residents of tiny Luxembourg, which has low unemployment and a high standard of living, are from other European countries. Belgium, which has the European Commission and NATO headquarters, is second, with 5.4 percent.

Paradoxically, perhaps, Britain, the one major European nation that has held off from joining the euro, is widely viewed as the nerve center of the new cosmopolitanism, headquarters for the New Europeans — bankers and business executives drawn by London's financial district, a more flexible bureaucracy and the universality of the English language.

Perhaps just as surprisingly, London also serves as an example of another less obvious aspect of European cosmopolitanism — the breakdown of certain social barriers.

Studying abroad was once a privilege reserved to the sons and daughters of Europe's elite. Now the European Union has a 12-year-old scholarship program, called Socrates-Erasmus, that this year allowed 200,000 European university students, 5 percent of the EU's entire university population, to study in other countries within the Union for up to a year, free.

In the last 20 years, business schools in Europe have multiplied, and most offer U.S.-style MBA programs that teach an American approach to business. This, too, has allowed a measure of meritocracy to creep into European business.

Juergen Schrempf, the head of Daimler, started as a car mechanic, noted Stephen Szabo, a professor of European Affairs at the Johns Hopkins University School for International Studies in Washington. "That would have been unthinkable in Germany 20 years ago."

Social mobility, moreover, is fueled by movement. When people transfer to another country, they find it easier to shed the psychological or cultural trappings of home.

"I could never have the kind of job I have had I stayed in Paris," Mr. Routiers explained.

"France is still very hierarchical. Bosses want to know where you went to school, what your father does. In London, none of that matters as long as you make money."

Many Britons still view their country as weighed down by heavy class distinctions.

For example, Tony Smith, 36, a Briton who is editor of several Portuguese magazines in Lisbon, seized an opportunity to study in Vienna 14 years ago and never looked back. He has lived all over Europe and is fluent in Portuguese, Spanish, German, French and Serbo-Croatian in addition to English.

Mr. Smith's father, a car mechanic, had not traveled out of Britain until 1992. Mr. Smith said he could never have succeeded as well had he stayed home.

"I didn't go to public schools or Oxbridge," he explained. "I'm not saying it's impossible, but it would have been much more difficult in England."

Yet, Continental Europeans who flock to London find themselves bypassing English society and joining a cosmopolitan world where birth and breeding do not matter as much.

The new transnational Europeans form an advance guard that is still relatively small in numbers, but experts say they carry a disproportionate influence on their societies.

"In Germany, for example, it is the business people who are pushing ahead with change and pulling politicians along behind them kicking and screaming," Mr. Szabo said. "They are looking at a larger market and feel the competitive pressures of globalization. Politicians are responding to a domestic constituency. They are answering to an international one."

## SENATE: Key Lawmaker Prefers Censure

Continued from Page 1

not explain why he believed that Mr. Clinton's actions did not warrant his conviction by the Senate.

"Bad, bad, bad!" he said of the idea. "Wrong, wrong, wrong!"

Because Mr. Moynihan is known for his strict interpretation of the constitution, supporters of a censure compromise had feared that he might argue that censure had no constitutional basis. He had been critical early on of Mr. Clinton's failure to explicitly apologize for his affair with Monica Lewinsky and his conduct after it became public.

And in a television interview weeks ago, he said that perjury might be an impeachable offense.

The senator is particularly credible because it would be difficult to portray Mr. Moynihan as acting out of concern for his own electoral prospects; last month, he announced that he would not run for re-election when his fourth term ends in 2000.

Asked whether he was driven by partisan loyalty or by his concern for the presidency, Mr. Moynihan said emphatically, "It's the institution."

In the interview this week, Mr. Moynihan expressed annoyance that Mr. Clinton had staged a rally with two busloads of congressional Democrats on the South Lawn of the White House after the impeachment vote in the House.

"If the rally was meant for the president's spirits, that was just fine," Mr. Moynihan said. "If it was meant to influence the Senate, that was just wrong."

Mr. Moynihan also invoked his concerns about the constitution when asked whether he would support levying a fine

on Mr. Clinton as part of a censure arrangement.

"Bad, bad, bad!" he said of the idea. "Wrong, wrong, wrong!"

Despite his belief that a compromise would be reached, Mr. Moynihan said he could not be certain.

"The question is, 'Do these allegations rise to the level of high crimes and misdemeanors?'" he asked. "And we will have to judge. We will have to make up our minds. The list, high crimes and misdemeanors, begins with treason, bribery."

While he did not suggest a timetable, the senator said he hoped that there would not be a drawn-out trial. He said that even if a proceeding ran for a month, he did not consider that particularly long.

■ A Call for TV Hearings

Howard Kurtz of The Washington Post reported from Washington:

To televise or not to televise? That is the question C-SPAN wants resolved in favor of the cameras when the Senate begins its impeachment trial of Mr. Clinton.

In a letter to the Senate majority leader, Trent Lott, Republican of Mississippi, and a half-dozen other Senate leaders, Brian Lamb, chairman of the C-SPAN television network, urged that the proceedings be kept open for coverage.

"Because every other step of the process, from Mr. Clinton's grand jury testimony to the House debates, has been shown on television," the Senate should adopt the same degree of openness for its



Mr. Clinton's effort to avoid ouster has gained the implicit support of Senator Daniel Patrick Moynihan.

role in this matter of such great importance to every American," he wrote.

Senate impeachment rules call for the proceedings to be conducted in public but for the lawmakers' final deliberations — although not the final vote — to take place behind closed doors.

## IRAQ: Christians 'Share the Sadness'

Continued from Page 1

suits and Presbyterians from the United States, were shut down when the government expelled most foreign missionaries in the late 1960s. Many young Christians now attend special public schools where the history of Christianity is taught alongside that of Islam.

As a sign of friendliness toward Christian denominations, Abdul-Munim Ahmad Salih, minister of religious affairs, visited several churches on Christmas Day. At the Baghdad National Presbyterian Church, founded by American missionaries in the 19th century, he told the parish council that Christians were "not a minority, but an integral part of our nation."

The pastor at Baghdad National, the Reverend Ikram Ibrahim, referred to Iraqi troubles in his sermon.

"Jesus, we are praying to you," he said. "You are the prince of peace, and you are the one who can lift the sanctions from our country."

Later the chairman of the parish council, Georges Hormis Sada, said Iraqi Christians shared the widespread anger and puzzlement here over Western hostility to their country. Mr. Sada is a retired military officer who fondly recalls his two years of pilot training at Randolph Air Force Base in Texas during the 1960s, when Iraqi-American relations were friendly.

"We don't say anything about politics, but when we see aggression against children, women and old people, we think this should not be," he said. "We don't think Jesus would like it. We feel that Christian countries are doing this to us. Christians should be able to solve these problems in a different way."



William Walker, the U.S. diplomat who heads the team of international truth verifiers in Kosovo, observing a Serb position Friday near Podujevo.

## KOSOVO: Slipping Closer to Open War

Continued from Page 1

official in Podujevo on Monday, a claim dismissed by diplomats. "You don't need 40 armored vehicles, including tanks, for a murder case," a diplomat said.

International monitors said the rebels had used anti-tank weapons to inflict a surprising amount of damage on the government's armored vehicles. While the rebels had anti-tank weapons during combat over the summer, they had not used them effectively and usually fled from government attacks.

Rebel commanders and international observers say that in recent months rebel forces have received new weapons and more rebels are trained in using them. In Thursday's fighting, monitors said, rebel forces often stood their ground and forced government troops to retreat.

Diplomats point to the rebels' recruitment drive and their rearming as indications they are not interested in serious negotiations.

Ethnic Albanian civilians said the attack began about 8:30 o'clock on Thursday morning with what sounded like mortar or artillery fire directed at the village of Gornja Lapastica.

Villagers said they fled when they saw the tanks coming. They, and perhaps 300,000 other ethnic Albanians, fled government forces over the summer when the police and soldiers tried to root the guerrillas but ended up terrorizing and radicalizing most of the people in Kosovo.

The government is faced with a particular problem in this area. Not only are Serbian civilians threatening to form vigilante groups to protect themselves, but Podujevo is on the main road to the rest of Serbia.

During the cease-fire, rebels had taken up positions close to the center of the town and along the road, thus threatening the government's ability to control the road or even resupply its forces in Kosovo.



## EDITORIALS/OPINION

# Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## An Insult to Due Process

Just as the move to censure President Bill Clinton is gaining momentum in the U.S. Senate, the House Republicans' chief hatchet man has arrogantly tried to block its progress. Tom DeLay, the majority whip, is inviting senators who oppose a lengthy trial over removing Mr. Clinton from office to view some mysterious evidence against the president that has not been made public or disclosed to the White House but is available only to House members.

This claim of secret evidence is an insult to due process and an improper intervention into Senate deliberations. The Senate's obligation is to weigh evidence in the open and stick to the official case brought by the managers of the impeachment case.

Reports of exactly what the evidence is against Mr. Clinton are muddy. Some is said to relate to the charge by Kathleen Willey, a former White House volunteer, that the president groped her and to an accusation that Mr. Clinton forced himself on a woman 20 years ago, when he was attorney general of Arkansas.

Before the impeachment vote, some wavering House Republicans were invited to look at the material, just in case anyone thought the charges brought by the independent counsel, Kenneth Starr, and Republican investigators on the House Judiciary Committee were not enough to support impeachment.

The White House was right to object

then and even more right now. Neither Mr. Starr nor any other investigator saw fit to include these allegations in their charges that the president committed perjury and obstructed justice.

Mr. DeLay's notion that evidence can be brought to bear on senators' decisions even though it is kept secret from the public is repugnant to any standards of justice and to the need for open procedures in a democracy.

The House Judiciary Committee debated the evidence for some time and laid out its findings for all to see. It had ample opportunity to bring out any material it saw fit.

Now that the House has approved two articles of impeachment, it is the Senate's turn to respond. It is simply inappropriate for a House leader to reach across to the Senate and try to put his thumbs on the scale with hidden material the House had every chance to bring out in a responsible form but chose not to.

The sorry leadership vacuum in the House is making it possible for Mr. DeLay to make mischief. Now that the speaker, Newt Gingrich, and the outgoing speaker-to-be, Bob Livingston, have gone home to nurse their own self-inflicted wounds, House Republicans have settled on Dennis Hastert as the next speaker. If Mr. Hastert does not call Mr. DeLay off quickly, he will end up a front man rather than a powerful speaker.

—THE NEW YORK TIMES.

## Stop This Food Fight Now

The banana war between the United States and Europe has escalated. It seems, at first glance, unlikely and even a bit comical. But this trade dispute has the potential to blow up into something more serious at a time when world finances already are in a precarious state.

The most recent salvo came from the United States, which announced last Monday a list of European imports that—absent a negotiated settlement in the near future—will be subject to punitive tariffs. The targeted products include pecorino cheese, handbags, sweaters and coffee makers. U.S. officials made up the list to approximate the dollar loss they claim U.S. companies are suffering due to Europe's unfair trade practices. European officials estimated the amount of trade affected at \$600 million and loudly denounced the U.S. move. "Unilateralism at its worst," lambasted the European Union trade commissioner, Sir Leon Brittan.

The Europeans in fact are poorly placed to complain. They have lost four successive decisions by international trade judges on the underlying issue, which is a system of banana imports that favors European multinational companies and discriminates against U.S. multinationals.

After losing the last time in September 1997, the Europeans refused to negotiate with the Americans and Latin Americans who had complained, instead redesigning their import system

without consultation. The result, U.S. officials say, is a cosmetically changed but equally protectionist rule book. And if you don't like it, the Europeans say, you can complain again.

That cannot be right. Given how long the World Trade Organization takes to dispose of a complaint, any losing country could defy its will virtually forever—and, according to Europe's interpretation, the complainant could not do anything about it. That would pretty much end the World Trade Organization, right now the closest thing to an international court for economic matters, as a useful forum for resolving trade disputes. Moreover, if the United States delays now on imposing retaliatory tariffs, as Europe asks, it could forfeit its legal right to do so later if future talks break down. Instead of huffing about unilateralism, Europe should bring its system into compliance.

As a matter of principle, though, it also cannot be right that a winning country can decide on its own whether a losing country has come into compliance. There is a flaw in the WTO system that both sides should work to repair; every appeals panel should, as a matter of course, rule on compliance, and in a timely fashion. In the meantime, Europe and the United States, the world's two most important economies, should set a better example for their juniors and settle this food fight fast.

—THE WASHINGTON POST.

## China Needs to Be Told

Beijing's leaders are running dissidents through a revolving door. In the past week three leading democracy activists, Xu Wenli, Qin Yongmin and Wang Youcai, have received prison sentences of 13 years, 12 years and 11 years, respectively, for subversion after sham trials lasting only a few hours each.

Two of the men had no lawyers. But the government tried to quiet international criticism by releasing another dissident, Liu Nianchun, into exile in the United States after serving 30 months in a labor camp. After a few signs of limited political liberalization this year, China's Communist leaders are reverting back to form.

The renewed repression is a rebuff to President Bill Clinton's call for greater freedom in China, and the White House properly condemned the actions. But in general Washington has not pursued human rights issues with sufficient vigor, with the exception of Mr. Clinton's visit to Beijing last summer.

Spurred by China's importance as a trading partner and the failure of a more adversarial policy to win any concessions, the Clinton administration has muted its criticism of China and treated human rights as one part of a complex relationship.

This approach has not been without serious costs. Washington chose to withdraw its usual support for a resolution censuring China before a

United Nations human rights panel. The administration also has refrained from harsh criticism of China's role in Pakistan's nuclear program and its sale of sensitive missile technology to Iran. It has not pressed China hard enough on possible attempts to influence the American elections through campaign contributions.

China has made important economic reforms under President Jiang Zemin. It has also made its legal system somewhat fairer and more predictable, progress that needs continued encouragement. Earlier this year China did permit a narrow political opening. A debate arose in small-circulation journals on such issues as individual rights and whether village elections should be expanded. In October, China signed the International Covenant on Civil and Political Rights.

But then it began its crackdown on democracy groups, imprisoning men like Xu Wenli, who was only trying to hold China to its own laws and the international treaties it had signed.

China's leaders clearly fear that any political opening might imperil Communist Party rule. They should know that China can never achieve the world respect its leaders crave if they block all political expression. Washington, for its part, must return to speaking honestly and frequently about China's human rights abuses.

—THE NEW YORK TIMES.

## Now Is the Time to Step Up Engagement With China

By David Shambaugh

WASHINGTON — The recent arrest and harsh sentencing of pro-democracy activists in China is another sign that 1999 is shaping up as a rocky year in U.S.-Chinese relations. The positive momentum and goodwill generated by the past year's exchange of presidential visits and intensified "engagement" has begun to fray.

The midterm elections in the United States and President Bill Clinton's domestic problems have diverted the Clinton administration's attention from pressing foreign policy concerns and pushed the relationship between the United States and China way down on its agenda. A dangerous drift is affecting the relationship, and a series of troublesome problems have bubbled to the surface in the areas of human rights, North Korea, trade, and bilateral defense relations.

Beijing has blundered in the way it has dealt with the organizers of the nascent China Democracy Party. The Chinese government's actions have managed, in one stroke, to put back at the top of the agenda the issue which it had worked so hard over a decade to remove.

With the release and exile this year of Wei Jingsheng and Wang Dan, China's signing of the UN Covenant on Civil and Political Rights, its entering into official human rights dialogues with the European Union and several other Western countries, China had managed to effectively blunt foreign criticisms and remove human rights from its diplomatic relations.

Allowing the televised debate in Beijing in June between President Clinton and President Jiang Zemin to be aired in China also helped.

Now, the Chinese leadership has once again made human rights a front-burner foreign policy issue and has ensured that it will continue to fester like a cancer on China's international image. Other problems also contribute

to the downward drift in U.S.-Chinese relations. Recent discussions in Beijing indicate that the Chinese government is in denial over North Korea, and does not take seriously the deteriorating security and humanitarian situation there. Accordingly, it is not being helpful to U.S. efforts to address a critical situation.

Controls placed by the Chinese government on capital transfers out of the country are causing American and other foreign traders real problems of profit repatriation. Meanwhile, the United States may run a trade deficit in excess of \$60 billion with China this year, creating a time bomb that is waiting to detonate. Negotiations on China's entry into the World Trade Organization and Missile Technology Control Regime have also stalled, reducing prospects for its early admission into these key bodies.

There is also discontent among some U.S. defense officials that the bilateral military exchange relationship has not produced the kinds of cooperation and transparency sought by the American side. Actually, the defense relationship has improved markedly and quickly over the last two years. While there are serious problems in this area of the relationship, expectations should not be set too high.

As long as the Chinese military remains under U.S. sanctions and Washington fails to address Beijing's concerns over arms sales to Taiwan, military and strategic cooperation will remain limited. Continued Chinese opposition to U.S. alliances and forward-based forces in Asia also remains a divisive issue.

The real problem is that U.S.-Chinese relations continue to lack the "glue" to bind the two countries together and forge a truly "cooperative

strategic partnership," the expressed goal of both governments.

It seems that the most enduring element keeping the two together is fear of the dangers of a falling out. A sharp deterioration or rupture could cause a realignment of power in Asia, conflict over Taiwan, a trade war and the diversion of substantial resources as the

**Matters of serious concern to each side are not being addressed or are intentionally being ignored.**

United States and China sought to counter each other. It would also likely result in Beijing resuming transfers of missiles and nuclear assistance to rogue states while stonewalling Washington on a wide range of matters of concern in international bodies.

Following the sentencing of pro-democracy activists, many journalists and pundits are questioning the efficacy of Washington's policy of "engagement." Yet there continues to be no real alternative to engaging China.

Containment is not a realistic policy option. It would be extremely costly, counterproductive and impossible to implement. But engagement should always be viewed as a policy tool, not an end in itself. It should be a tactic to advance the strategic interests of the two countries and forge tangible cooperation where possible, while intensively discussing and narrowing differences.

Engagement requires content to succeed. Unfortunately, the experience of recent months suggests that matters of serious concern to each side are not being addressed or are intentionally being ignored, creating an atmosphere

of "hollow engagement." China expected that engaging the United States would bring reductions in American arms sales to Taiwan, while also sensitizing Washington to Beijing's concerns about the strengthened U.S.-Japanese defense relationship and possible deployment of a theater missile defense shield in Japan, South Korea, and Taiwan.

For its part, the American side anticipated that engagement would produce progress in China's arms control and proliferation policies, cooperation on North Korea and South Asia, a less belligerent Chinese approach toward Taiwan, release of dissidents and improved international human rights commitments, a dialogue with the Dalai Lama, and China's entry into the World Trade Organization.

Given these expectations, it must be said that Washington's agenda has only partially been met, while Beijing has been completely rebuffed in attaining its goals. This has produced a high-level reappraisal in Beijing of the virtues of engagement. Some Chinese officials are calling for a more staunch approach to the United States, while arguing that Beijing should cement its ties with Moscow and mobilize international "united front" against "American hegemonism and power politics."

To prevent the gap growing wider between China and the United States, now is precisely the time to intensify engagement with Beijing in the human rights, trade, investment, defense, and strategic realms. The question is whether Washington is paying any attention.

The writer is director of the China Policy Program at George Washington University and a nonresident senior fellow in the Foreign Policy Studies Program at the Brookings Institution in Washington. He contributed this comment to the International Herald Tribune.

## Russia's 'Irreconcilables' Would Like to Make a Mega-Serbia

By Alexander Yanov

LOS ANGELES — It's hardly surprising that Western media keep missing important — and troubling — political trends in Moscow; it just reflects Westerners' total preoccupation with Russia's financial meltdown.

Such predominance of economics might have been excused in the heady years of President Boris Yeltsin's power. The trouble is that not just Mr. Yeltsin but an entire era is fading from the picture.

A new and dangerous one looms on the horizon while we refuse to see its omens. One cannot help but recall the Western press of the early 1930s, still engrossed in the Weimar Republic's financial agony, on the verge of the Nazi takeover of Germany.

Omens recently ignored include, for example, the extraordinary visit to Russia of Vojislav Seselj, the deputy prime minister of Serbia, as well as his sensational appeal for a Slavic Union of Russia, Yugoslavia and Belarus.

Of course, Mr. Seselj is habitually called the "mad dog" of Serbian nationalism, an "irreconcilable" next to whom even Slobodan Milosevic looks like a peace-loving moderate. What is really important, though, is that in the Russian

city of Yaroslavl, Mr. Seselj's appeal was met with a standing ovation.

Missed as well was the depiction, by President Alexander Lukashenko of Belarus, of Ukraine as a betrayer of the

**The deputy prime minister of Serbia has visited Russia and made a sensational appeal for Slavic Union of Russia, Yugoslavia and Belarus.**

common Slavic cause. Mr. Seselj and Mr. Lukashenko are politicians, not amateur travelers. They must have smelled change in Moscow's political air. Why otherwise would they hotly suddenly forging an alliance with Russia's own irreconcilables, the anti-Western nationalists who worked hard for the last seven years trying to provoke a confrontation with the West?

For all their ravings about the Zionist conspiracy deliberately

ruining Russia, these gentlemen were until now of limited value to their Serbian and Belarusian brethren. With Mr. Yeltsin in the Kremlin and lacking a credible and popular leader, they had no chance to radically change Russia's foreign policy. Not anymore, though, not when they are rallying behind a formidable presidential contender in Yuri Luzhkov, the mayor of Moscow.

If so, their political program would seem to deserve scrutiny. Especially the points that are of such concern to Mr. Seselj and Mr. Lukashenko:

• The immediate *Anschluss* of Belarus, which for Russia would be the same as Austria's consolidation with Germany in 1938.

• The return to Russia of the Ukrainian city of Sevastopol (compare it to Hitler's demand for the return of the city of Danzig on the eve of World War II).

• The creation of a Slavic Union of Russia-Belarus, Yugoslavia and the Ukraine, which Mr. Lukashenko intends to lead. If the "treasonous" Ukrainian leadership refuses to join the ranks, Mr. Seselj and Mr. Lukashenko will threaten a civil war — 10 million Russians, after all, live in Ukraine.

So, what happens if Mr. Luzhkov indeed wins the presidential elections? Given that he is one of the most fervent champions of incorporating Belarus as well as of the return of Sevastopol, some kind of Russian-Ukrainian confrontation would certainly be in the cards.

It is hard to imagine, if that occurs, the United States not intervening on behalf of Ukraine. And here we see clearly what Mr. Seselj and Mr. Lukashenko are up to: American intervention is all that the "irreconcilables" need to turn Russia into a Serbia-in-the-making.

There is no doubt in this case that Russia would be hopelessly ruined economically, just as Serbia is. Yet, again like Serbia, Russia would be fueled by an all-consuming "patriotic" fervor of imperial restoration.

It is easy to envisage what the emergence of such a nuclear mega-Serbia would mean. Just imagine the mayhem that Iraq in the Middle East or Serbia in the Balkans might create if allowed to operate with impunity behind a Russian nuclear shield.

To be sure, this is the worst case scenario. The Russian irreconcilables may not in the end come to terms with Mr.

Luzhkov (although it is hard to see why they wouldn't). And Mr. Luzhkov himself may be defeated in the elections (although it is hard to guess by whom).

Still, it is hardly wise to give him a helping hand by sticking to the course designed by the International Monetary Fund, which generates only misery in Russia and nationalist outrage and hostility toward the West.

It is not too late to realize that what the West has been doing to Russia in the last seven years is a carbon copy of what it did to Weimar Germany in the 1920s. Should we be surprised, then, if identical policies produce identical results?

The whole thing looks even more bizarre when we recall that a remarkable generation of Americans after World War II had already rejected those failed Weimar policies of financial manipulation in favor of a solid strategy of reconstruction of former enemies — a strategy crowned with success in both Japan and in Germany. That generation of Americans did not give money that could be stolen, as it has been in Russia. They modernized industries instead.

Why not follow in the footsteps of George Marshall and Dean Acheson, fathers of the Marshall Plan? Why refuse to face the fact that radical reform is needed, not just by the Russian economy but in Western policies as well?

First things first, however. Right now the West's main preoccupation in Moscow must be to assure that in the next five years there is no Russian Milosevic in the Kremlin — if only because there must still be a Russia after 2000 willing to accept a reformed Western policy.

Mr. Yanov is a writer on Soviet and post-Soviet affairs whose works include "The Russian Challenge and the Year 2000" and "The Russian New Right." He contributed this comment to the Los Angeles Times.

## New Urgency Over Russian Nuclear Safeguards

By Bill Richardson

The writer is the U.S. secretary of energy.

WASHINGTON — Russia's financial crisis has brought new urgency to U.S. efforts to help Moscow tighten controls over weapons-grade nuclear materials and expertise.

Already, episodes involving guards who have gone without pay and inoperative security equipment have increased the risk of nuclear leakage to rogue states or terrorists.

The most disturbing incident reflecting the new pressures of economic hardship on nuclear plant personnel was in the closed city of Mayak, the major plutonium reprocessing site, where tens of tons of weapons-usable plutonium are stored. In September, a guard sergeant there ran amok, killing a number of his counterparts before fleeing. He has yet to be caught.

Our partnership with Russia to meet these growing security challenges has been extraordinary. In cooperation with the U.S. Department of Energy, Russia is selling the United States large quantities of weapons-grade uranium in non-weapons-usable form — 36 tons so far. It also is accepting our help to improve protection and accounting of nuclear materials at some 40 nuclear facilities, including highly classified sites.

Moscow also has agreed to a U.S.-Russian program to render 50 tons of weapons-grade plutonium in each country unusable for nuclear explosives. And we are pursuing cooperative programs to engage Russian weapon scientists in peaceful projects and facilitate the consolidation of Russia's nuclear weapons complex.

The Russian financial crisis has made this work more dif-

ficult — but also more important. Growing economic turmoil will increase incentives for insiders at nuclear plants to sell material, or their services, outside authorized channels. Our most urgent worry is that the economic blows are affecting facilities' ability to protect and control nuclear materials.

We have learned, for example, of guards at some civilian nuclear sites not reporting for work and, in one extraordinary instance, electricity

**Protection can include vault locks that work if the electricity is cut off and other steps as simple as bricking up vulnerable windows.**

to a nuclear installation being cut off for nonpayment of utility bills, which obviously affected electricity-dependent security systems.

So far we have no evidence that nuclear materials have been compromised. Nonetheless, these are serious developments, and the U.S. Department of Energy's task force on nuclear material security in Russia and the newly independent states is working hard to address them.

My department's materials protection, control and account-

ing program, for example, monitors "passive" security upgrades — improvements that can work even if guards are unavailable or if electricity goes out.

Examples include vault locks that become "fail-safe" if electricity is cut and that cannot be opened unless two authorized individuals enter the appropriate codes. Steps can be as simple as bricking up vulnerable windows.

The Russian financial crisis has made this work more difficult. But the question of operating expenses, such as guard salaries, is troubling.

The United States has never paid such expenses in the past, considering them Russia's responsibility. Nonetheless, we are looking for ways to help individual sites cope by providing winter clothing for some guards and subsidizing several commissaries to ensure that guards are fed while on duty. The costs are modest and clearly a worthwhile investment.

Last summer, my department began a major new program with the Russian Interior Ministry, which provides guards at many Russian nuclear sites. We are improving training and emergency response capabilities, and plan to underscore the importance of providing salaries and other necessary items to guards.

Russia's financial turmoil hampers our efforts to diversify the economies of the 10 closed nuclear cities, and in particular to attract private investment to them. In the coming six months, however, our newly launched "Nuclear Cities Initiative" will

lay the groundwork. Three cities have been selected as flagships, and leaders from these cities will visit downsized nuclear sites in the United States. They will learn how we have created civilian jobs there, and teams of U.S. economic development specialists will visit the three Russian centers.

In coming months Russia will need more help, not less, and the United States must be ready to respond. Our two countries remain committed to reducing the threat posed by the nuclear legacy of the Cold War.

The Washington Post.

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1898: Penny Postage

PARIS — A "Daily Telegraph" leader on the inauguration of imperial penny postage on Christmas Day, referring to it as a power for peace, says: "A great united British Empire anxious for freedom and for commercial industry is the greatest guarantee that could be furnished for the maintenance of the tranquility of the world. Something may be accomplished by the crusade which is now being preached throughout the land, but far more practical good will result from the new movement which started on Christmas."

### 1923: Turkish Women

CONSTANTINOPLE — Ankara is fast suppressing the disabilities imposed by Islam upon women. Bedia Haxen, the first Turkish actress, has just appeared in the part of Desdemona, the theatre being crowded

for the occasion. It is proposed to remove the curtains screening the seats reserved for women, on the ground that the curtains carry disease. It is already admitted that a Moslem woman may travel in public conveyances with her husband, which only recently was forbidden, and a woman seen in male company was liable to arrest.

### 1948: Opera Etiquette

ROME — Italy's fashionable life moved a step closer to its prewar level with restoration of the rule requiring evening dress at the Rome Opera House. The return of the evening-dress rule provoked protests from Rome's many Socialists. They contended that any "decadent-dressed" person should be allowed to attend the opera, particularly since the highly formal Vatican still waives the regulations which require special visitors to the Pope to wear full dress.

## Herald Tribune

ESTABLISHED 1887

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92521 Neuilly-sur-Seine, France.  
Tel.: (1) 41 43 93 01. Fax: (1) 41 43 92 10. Advertising: (1) 41 43 92 12. News: (1) 41 43 93 38.  
Internet address: <http://www.ihb.com> E-Mail: [ihb@ihb.com](mailto:ihb@ihb.com)

Editor for Asia: Michael Richardson, 5 Cammerford Rd., Singapore 119602. Tel: (65) 472-7788. Fax: (65) 274-2314  
Mgr. Dir. Asia: Nigel J. Quinn, 12111 Ave. Road, Hong Kong. Tel: 852-3022-1188. Fax: 852-3022-1190  
Gen. Mgr. Germany: T. Schuler, Friedrichstr. 15, 10117 Frankfurt. Tel: +49 (89) 1200-0. Fax: +49 (89) 1200-20  
U.S. Office: 180 Third Ave., New York, N.Y. 10022. Tel: (212) 753-3800. Fax: (212) 753-8785  
U.K. Advertising Office: 63 Long Acre, London WC2E 9LT. Tel: (44) 1753-4802. Fax: (44) 1753-2254  
S.A.S. on copyright of 1,200,000 P. RCS Numéro B 732021126. Commission Paritaire No. 61337  
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# ART

## Discoveries in Old Masters, Even Now

By Souren Melikian  
International Herald Tribune



Detail of Bernardo Bellotto's Grand Canal scene, sold for £3.35 million.

**L**ONDON — With all the publicity surrounding their feast, a major function performed by auction houses remains unseen. Without the trickle of works never seen before or virtually forgotten, which turn up at intervals, an essential form of personal relationship to the art of the past would be lost.

With each presale viewing, auction houses double as temporary museums where discoveries propel into the limelight artists not currently in focus, point to connections that were not made before and refreshingly challenge the views of academe. Without auctions, we might forget the infinite diversity of art that so vastly outstrips the cut-and-dried categories of art history. Last week the process could be observed applied to Old Master paintings in all its splendor at Christie's and Sotheby's.

The handful of names that are known regarding early periods are the trees that hide the proverbial forest. Tucked away in Christie's secondary afternoon session, a previously unknown panel "from the circle of Pieter Coecke van Aelst" lifted a corner of the veil concealing the complex background out of which the 16th-century artist stemmed. On one side an "Annunciation" was painted with the clarity and daintiness of a Flemish miniature. The fluidity of the folds of the angel's tunic, the precise detail in the rendition of a faience jug with grooved body suggest a keen observer of objects, as indeed, of architectural settings.

On the back, a Saint Christopher standing in a niche and painted in grisaille emphasized the artist's love of the three-dimensional. Perhaps, the painter was a sculptor. His was certainly a well-defined artistic personality, if one that remains anonymous. At £23,000 (about \$39,000), this will be a delightful

Christmas riddle for its inspired buyer.

An unrecorded "Adoration of the Magi" followed, merely attributed to Coecke — in salesroom language. This is a healthy reminder that in Renaissance studios, one or several disciples might match the master's skills, with some participating in the creative process. "The Adoration of the Magi" fell unsold at £13,000, a victim of our ignorance of who was doing just what in the Coecke milieu.

How much more remains to be learned about the transition from the late Middle Ages to the Renaissance was illustrated by the discovery of a rare panel by Lucas Gassel. The "Parable of the Wheat and the Tares," signed and dated 1540, belongs to what might be called the Enchanted World school, with a penchant for visionary scenes. A hooded devil with clawed feet glides stealthily towards two peasants slumped over their bags of grain, fast asleep. The scene is set on a stone platform overlooking a plunging view with a Flemish town appearing amid greenery. The fairy-tale charm sent the Gassel — important for its date — climbing to £92,000. That was paid by Johnny Van Haeften, London's leading connoisseur of Flemish and Dutch painting.

There was a 17th-century sequel to this Enchanted World school at Sotheby's. Two pictures reflecting the influence of Jan Brueghel the Elder were coterminous under the name Pieter Gysels. One, last seen in a Paris gallery in 1953, is a ravishing view of a Flemish city with its gabled houses springing up on either side of a widening stream. In the distance, some facades are touched by pale salmon light from an invisible sun, hidden beyond a pink haze in the sky, as blue dusk settles over the landscape. Beautifully preserved, the miniature-like work shot up to £100,500.

The second painting, totally unknown, has a ravishing composition. Seen from

some elevated vantage point, a country road cuts straight across the landscape, dividing it into two toy-like triangles. A neat, early Baroque brick chapel rises on the roadside. In the foreground, a milkmaid stands, with her back in the viewer, balancing two wooden pails amid sheep and cows while a couple in fine attire walk on the road, preceded by their dog, which leaps ahead. An unusual feel of serenity and alacrity emanates from the scene, which Conrad Bernheimer of Munich bagged for £166,500.

One of the subtler pleasures of such sales is their occasional focus on trends previously neglected or altogether unrecognized.

The transformation of the Flemish legacy when transferred to Germany by artists who fled the Spanish war gave rise to a Frankfurt school of still life painting that has yet to be acknowledged.

Isaac Soreau, son of Daniel Soreau who left Antwerp in 1599 for the new town of Hanau near Frankfurt, was a key figure in its emergence. Christie's sale included a hitherto unknown still life of his. The fruits heaped on a platter are handled with sculptural precision, as if carved out by the strong light typical of the Frankfurt school. The panel created a profound impression and set a record for the artist at £573,500.

**W**ITHIN 20 minutes, one of the great masterpieces by Abraham Mignon, the towering figure of the second Frankfurt generation, came as an even greater surprise. Strictly speaking, it is not a discovery — the picture was mentioned in a book in 1857 and appeared at auction in 1913 and 1942. Far more elaborate than the Soreau, it retains a quasi-sculptural quality to its detail in much the same kind of intense light. A sense of mystery is added by the shadow at left where the corner of a structure can be made out. The virtually unknown

Mignon ascended to a steep £639,500.

Discoveries continue to be made within the most heavily researched schools. Topographical landscape painting in 18th-century Italy is one. Christie's had found two unrecorded pictures by Gaspar van Wintel, one showing the Colosseum in Rome and the other the Grand Canal in Venice, dated 1707.

**B**OTH views were repeatedly painted by the Dutch-born artist, who settled in Rome in 1675. There, he produced a first version of the Colosseum in 1697, preceding by seven years the earliest native *veduta*. If there is nothing surprising about the subjects, their beauty — particularly that of the Colosseum seen in a glowing light — galvanized the auction room audience into a furious bidding match. The Colosseum ended up at £364,500.

But this was nothing compared with the surprise created by a view of the Grand Canal held to be a Canaletto by every authority since its brief appearance in 1968. It is now recognized as a Bernardo Bellotto. The nuances of gray-green, the attention brought to reflections in the water, and the sharp light support the attribution. Transfixed, bidders sent it soaring to £335 million, setting another world record.

For those who are not buyers, the game can be as exhilarating intellectually. It sharpens artistic perception by inviting personal scrutiny in a way that museums never do. The day art supplies sink so low that auctions will cease to operate as a network of art shows parallel to public institutions, an element as vital to artistic culture as playing a musical instrument or learning to draw were until a couple of generations ago, will have vanished.

At that point the art of the past will cease to be part of the living culture. Locked up in museums, it will be stared at blinkingly by bored crowds, meekly absorbing the arid instruction of academe.

## BOOKS

### 4,000 DAYS

*My Life and Survival in a Bangkok Prison*

By Warren Fellows, 206 pages, \$22.95, St. Martin's.

Reviewed by Jonathan Yardley

**I**N the course of this almost entirely gruesome narrative, Warren Fellows describes an incident in which it seemed certain that his best friend would be shot to death by a malign Thai police officer nicknamed "Mae" dog. The person to whom he told this, he writes, "seemed to think that the story was too horrible for me to have made up."

Many readers are likely to have the same reaction to "4,000 Days," Fellows's account of the 11½ years he spent in various Bangkok prisons on charges — which he scarcely denies — of heroin peddling.

It is an unbelievably horrible tale, save for notes of release and redemption that creep in toward the end, so horrible that the temptation to disbelieve it is severe. But those who have read "Midnight Express," to which of course, Fellows's publisher compares "4,000 Days," know all too well the extraordinarily brutal punishments that have been inflicted on drug pushers in some of the world's more merciless societies; thus there seems little reason to doubt that Fellows is telling the truth.

Along with a friend, Fellows was arrested in Thailand in 1978 for attempting to smuggle heroin to Australia, his home country. He was in his mid-20s and, like many drug couriers of that day, had drifted into criminal activity almost unaware of where he was headed. Eventually, he found himself trapped, unable to extricate himself from what proved calamitous circumstances.

He makes no effort to justify what he did, beyond saying: "I was a conner. I never had to look at the damage I may have inflicted." He knows that heroin is pure poison and blames no one who believes that any punishment,

however cruel, is appropriate for someone who helps lead others — many of them innocent — to addiction and self-destruction.

Still, he writes: "My punishment seemed way out of proportion and I couldn't see the lesson that was to be learned. How much suffering was I to go through before the world agreed that I'd paid my price?"

Assuming that Fellows's story is accurately told, it is hard not to agree with him. Sentenced to life imprisonment after a dreadful interrogation, torture and preliminary confinement in unspeakable conditions, he was shipped off to serve his time in Bangkok, aka Big Tiger, which a sympathetic Thai official told him "was an evil place where no foreigner should be sent, no matter how serious their crime." He knew that already.

"I was well aware of Bang Kwang's reputation as quite simply the most feared prison in the world. While doing my business in Bangkok, I had been aware of the possibility that, if caught, I might be sent to Big Tiger. But somehow it had seemed a distant chance — I did not belong in Bang Kwang. It was a place

for the lowest, most hopeless forms of humanity. Nobody thinks of themselves in that way. Not even criminals."

That Bang Kwang did not destroy Fellows, as it has destroyed so many others, is testimony to his strength of body and spirit. Through a variety of tortures both physical and spiritual, it made him "a slave and an animal for a period of time I could never regain," and it's clear from his narrative that it took a great deal away from him that he will never recover, but he survived.

He was freed on a King's Pardon on Christmas Day 1989, and he returned promptly to Australia, where he lives now with his mother.

Like others who have survived prison and torture, Fellows says he did so in part because he and other inmates made their prison world "similar to the one we knew on the outside," transforming the "happenings in Big Tiger into a pathetic model of our former lives." This may be a false reality, but it creates the illusion of "life in a regular community" and thus provides release as well as hope.

Washington Post Service

## Italy's Radical Return to Order

By Roderick Conway Morris

International Herald Tribune

**R**OME — Having been the country that in 1909 produced the Futurist Manifesto advocating a violent and total break with the past, Italy within a decade became the scene of a radical rethink on applications of the traditional in contemporary art.

The magazine "Valori Plastici" (Plastic Values), published in Italian and French from 1918 to 1921, was both a reflection of this change in direction, and sometimes a driving force behind it. It was launched by the critic Mario Broglio, who died 50 years ago this month, and his Lithuanian artist wife Edita Walterowna von Zur Muehlen, and the anniversary is marked by an attractive exhibition, entitled "Valori Plastici," devoted to the story of the magazine and the works of the artists associated with it, at the Palazzo delle Esposizioni (until Jan. 18).

Well-chosen pieces by all the relevant Italian artists are here, as well as by artists beyond the peninsula representing what Jean Cocteau (a contributor to the magazine) termed a "return to order." Picasso, Derain, Klee, Kandinsky and Marc and others.

As influential as the magazine was, Broglio's series of small illustrated books on movements in modern art, Old Masters and non-European art, many of them by artists — Carlo Carrà writing on Derain, Gino Severini on Manet, Giorgio de Chirico on Courbet and so on. Broglio also organized a touring group exhibition to Germany, to galleries in Bologna, and in Carli and Florence in 1922.

"Valori Plastici" broadly advocated a return to "classical" values rather than academicism, the reinterpretation of traditional art, not its imitation — and the results took on many forms.

De Chirico and Carrà were then the primary practitioners of what the former's friend, the French poet Apollinaire, called "metaphysical" painting. De Chirico was born and brought up in Greece, and was obsessed with ancient Greek mythology, which had a direct impact on his subject matter, but his eerie, near-empty townscapes were inspired by Italian Renaissance masters.

Achille Funi's striking "Umberto Nostri in his Office" (1921) in his dark suit, tie and stiff collar is posed like a Venetian dog or admiral by Bellini or Tintoretto, but the window at his side gives out a view not of a distant landscape or galleys at sea, but a modern city square and trams. Severini returns to the image of the Virgin Mary and Child, now stripped of explicit religious symbols and almost voluptuous in his "Motherhood" (1916). And Felice Casorati in his brilliant portrait "Silvana Cenni" (1922) captures the mysterious stillness of a Piero della Francesca in a semi-



Felice Casorati's 1922 portrait "Silvana Cenni."

modern guise. Casorati (1883-1963) is also the subject of shows at the Museo del Gallo in Bologna, and in Carli and Florence in 1922.

This year is also the 50th anniversary of De Chirico's move to 31 Piazza di Spagna, where he lived until he died in 1978. The position of this place had for De Chirico, who confessed to an unholy terror of suburbia, an almost mystical significance, as he recorded in his "Memoirs": "They say that Rome is the center of the world and that Piazza di Spagna is the center of Rome, so my wife and I would be living in the center of the center of the world, in fact at the summit of centrality and the summit of anti-centrality." The apartment-studio now belongs to the George and Ida de Chirico Foundation

and, restored to the way it was at the time of the artist's death, it can be visited on weekday mornings (by appointment only; tel. 06-679546).

With its large sofas, gilded French furniture and Oriental rugs, the apartment looks fairly conventional, but on closer inspection turns out to be a worthy monument to one of the 20th century's more seriously oddball artists. All the 60 or so pictures on the walls are by De Chirico, covering the full gamut of his styles from his metaphysical works to his neo-Baroque paintings for which he sometimes hired costumes from the Rome Opera to depict himself and his wife in period dress. There is a solitary armchair facing a large television, which he apparently always watched alone with the sound

turned down. And his upstairs studio has a Marie Celeste feel to it, with a painting still on the easel that he did not live to complete.

In fact, the collection of pictures here is not only a useful compendium of De Chirico's work, but also a museum of the confusion that it eventually engendered. The examples of his early metaphysical paintings are not "originals" but copies made by him later in life. He sold many paintings like this, in one case a score of the same one, his argument that since they were his ideas and executed by him the exact date they were done was irrelevant being regarded in the art world as idiosyncratic, to say the least. And he further muddled the waters by, for example, declaring all his works in a Paris show in 1946 to be fakes, some of which in the light of documentary evidence are now accepted as genuine.

Several artists identified with "Valori Plastici" had previously passed through a Futurist phase, but unlike most Futurists the painter, decorative artist, theater designer and actor Giacomo Balla (1871-1958) remained attached to Futurism until the late 1930s, and to the general notion of the primacy of "modernity" throughout his career. He was fascinated by fashion to the extent that his paintings were at one point heavily affected by glossy magazines and he was a prolific designer of Futurist clothes and accessories, furnishings and interior decoration.

The fashion designer Laura Biagiotti and her late husband, Gianni Cigna, gathered an impressive collection of Balla's various works, which are on show for the first time in mass in Italy in "Giacomo Balla: Futurism Between Art and Fashion," at the Bramante Cloister by the Santa Maria della Pace church, near Piazza Navona (until Jan. 31).

This is an enjoyable, sometimes riotously colorful display, including paintings, designs and actual clothes and fittings of a kind that in the metaphysical works of De Chirico and Carrà might be viewed as symbolic manifestations of the shadowy, elusive furniture of the psyche, but were clearly regarded by Balla as eminently suitable for everyday use.

## Sotheby's Is Expanding Its Turf

By Carol Vogel

New York Times Service

**N**EW YORK — Sotheby's has taken another giant step into territory once reserved for dealers.

The auction house announced this week that it had organized an exhibition of Buddhist ritual and ceremonial objects in association with Rossi & Rossi, a London deal-

er specializing in Asian art. Sotheby's said it has a financial interest in the items in the show, but declined to discuss the details.

Through the years Sotheby's has bought art galleries and helped dealers finance purchases. It also has gone into partnership with dealers on private sales. But this is the first time it has entered a retail venture with a gallery. Everything in the show is for sale.

From March 24 to April 3, when collectors and dealers will be in New York for the Asian art auctions and the International Asian Art Fair, the former Emmerich Gallery in the Fuller Building will become a showcase for about 60 artworks. These will include gold and silver objects, textiles, painting and sculpture, all from Tibet and the Himalayan region and dating from the 12th to the 19th centuries.

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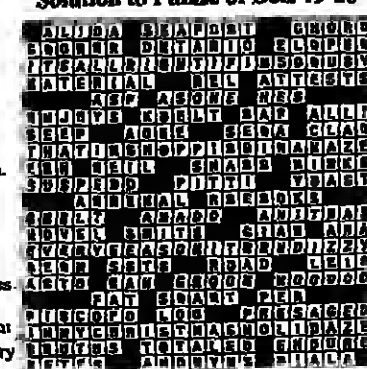
## BEANS, BEANS, BEANS By Rich Norris

- ACROSS
- 1 Clown's supply
  - 5 Torso
  - 6 Border
  - 13 Comedian's supply
  - 15 Part of F.D.R.'s Abbr.
  - 18 "You..."
  - 20 Sewed up
  - 21 Root of government
  - 23 Post-removal expert
  - 24 Scott Tarow book
  - 25 Molestess cookie
  - 27 Practice area, of a kind
  - 30 Sound for Old MacDonald
  - 31 Lanning-to-Films dir.
  - 32 Saffron sight
  - 33 R.E.B. jazz singer James
  - 34 One abroad
  - 35 Still-life subject
  - 36 Hipsters
  - 38 Gun predecessor
  - 41 Tanning lotion Abbr.
  - 44 Found a new source
  - 46 Riddle's dad, to the Fox
  - 47 Extremely easy shot
  - 51 Applied, as a patch
  - 53 Come to
  - 56 George Sand, for one
  - 57 Worth
  - 58 "The wicked flee when..."
  - 60 Give out
  - 62 Aspire
  - 63 During the knight-time?
  - 65 Ten crowd
  - 66 "Human Conviction" sculptor

- DOWN
- 1 Puff
  - 2 Provoked
  - 3 Circumference
  - 4 Interference
  - 5 Alien subject
  - 6 "Turned" terror
  - 7 Conquest of 529/53
  - 8 Erase
  - 9 Military communications expert
  - 10 Here, in Le Havre
  - 11 Condemned publicly
  - 12 Trim
  - 13 Ding-a-ling
  - 14 Two-time U.S. Open winner
  - 15 Strength
  - 16 Clan chief of old Scotland
  - 17 Extremely
  - 22 Source of many ovals
  - 26 Sufficiency, in verse
  - 28 Written down
  - 29 In-flight P.A. announcement
  - 35 Prolonged separations
  - 36 Pavement caution
  - 38 Trouble
  - 40 Yawning
  - 41 1928 movie titled "The King of the Beasts"
  - 42 Doom
  - 43 Subject of numerous 70's lawsuits
  - 45 Lapsitude
  - 48 Lamb chops accompanier
  - 49 Chief who negotiated peace with the Pilgrims
  - 50 Language coding
  - 52 Never, in Nuremberg
  - 53 Oriental course
  - 54 "O Baby!" playwright
  - 55 Actor Bruce
  - 56 Some E.R. cases
  - 57 Chop
  - 58 Cries of disgust
  - 59 Gardner and others
  - 60 Vein pursuits
  - 61 Partner of away
  - 62 Flying group
  - 63 1960 Everybills
  - 64 They have big bills
  - 65 One of an old threesome
  - 66 Language coding
  - 67 Person in a race

© New York Times/Edited by Will Shortz

Solution to Puzzle of Dec. 19-20





## More British Planes To Evacuate Freetown

**LONDON** — Britain sent two aircraft back to the Sierra Leone capital, Freetown, on Friday to evacuate more British nationals after having flown out around 80 people a day earlier when rebel activity moved near the city.

A spokesman for the Foreign Office said that while the measure was precautionary, Britain was strongly advising its nationals to "take advantage of this offer" to leave.

The airlift Thursday followed hit-and-run raids Tuesday by rebel infiltrators on villages on the main highway into Freetown. The rebels are armed forces veterans and renegade soldiers who ousted President Ahmad Tejan Kabbah in 1997, a year after his victory in multiparty elections. The military junta was overthrown this year by Nigerian-led West African intervention troops, but fighting has continued and lately has intensified.

Both Britain and the United States this week advised their nationals to leave Sierra Leone.

"The situation is very volatile," the British spokesman said Friday. "The rebels have a pretty awful history of atrocity. We don't want any of our nationals put at risk."

The group evacuated on Thursday was taken from Freetown to the Senegalese capital, Dakar, further up the coast of West Africa.

"They brought out around 80 people," the spokesman said. "The majority were Britons, although there were a fair smattering of European nationals." The others included Irish, Finnish, French, Dutch, Polish, Italian and Spanish citizens, as well as one Canadian and one Mexican.

On Friday, two Royal Air Force Hercules transport aircraft went back to the airport in Freetown to "pick up any stragglers," the spokesman said.

In addition, the spokesman said the RAF intended to send a Tristar, a civilian aircraft capable of carrying about 200 people, which "we hope will be able to bring those people in Dakar who want to come to London out later" Friday.



A displaced Sudanese picking up grain from the ground after a food drop at Majakiet, southern Sudan. The situation there, one of the worst famine areas, has improved because of the work of relief organizations.

## Food Emergency Hangs Over Sudan

### Dueling Warlords Leave Another Province Vulnerable to Famine

By Karl Vick  
Washington Post Service

**NAIROBI** — Aid agencies are raising a fresh warning about famine in Sudan, an almost annual alert that underscores once more the central role fighting continues to play in a crisis that is about to enter its 10th year.

Fourteen months after alerting the world to a food crisis in one part of the vast African nation, a warning that was generally ignored until grossly malnourished people staggered into camera range in July, UN and other international agencies are saying the same could happen again in the coming year.

Thousands of southern Sudanese died in the country's southwestern Bahr el-Ghazal province before food shipments reached there last summer in a multimonth relief effort that still puts 18 cargo planes into the skies daily. Officials of Operation Lifeline Sudan, the consortium of UN and aid agencies formed after the 1989 famine that killed 250,000 in the same province, estimate the current crisis will require 150,000 tons of food through October 1999.

Meanwhile, a second emergency may be taking shape in the adjoining Upper Nile province. People there are being frightened off normally fertile land by warlords dueling for dominance by

burning and looting villages.

A similar reign of terror by another warlord in Bahr el-Ghazal spun what might have been a routine seasonal food shortage into the summer famine that at its peak, in one town, was claiming 490 lives a day.

Upper Nile has seen no wholesale starvation yet, and would not for months, until it turns out there are no crops to harvest because people fled instead of planting. That was the prob-

**'Even a few weeks of insecurity ... could produce the kind of crisis we were confronting earlier this year.'**

lem in Bahr el-Ghazal. In Upper Nile "the situation is comparable to Bahr el-Ghazal a year to a year-and-a-half ago," said Gillian Wilcock, spokeswoman for Operation Lifeline Sudan. "I think our worst nightmare is an acute emergency in Bahr el-Ghazal combined with Upper Nile. We're going to be very hard pressed to deal with both at once."

Further complicating the picture is the lingering question of cease-fire agreements. All of Sudan's families have grown out of the civil war that has been fought since 1983. Rebels in the south, which is black and largely Christian, are fighting for independence from

the north, which is Arab and Muslim.

Neither side has had the upper hand for years, but the fighting and resulting famines have left 1.9 million dead, according to a recent study by the U.S. Committee for Refugees. The private humanitarian agency largely blamed the Khartoum government for the deaths.

The latest emergency in Bahr el-Ghazal's famine was eased in July only after both sides agreed to a cease-fire then extended it for another three months in October. Officials hope that agreement will be extended again before it expires Jan. 15.

"Even a few weeks of insecurity, especially in Bahr el-Ghazal, could produce the kind of crisis we were confronting earlier this year," Philippe Borel, United Nations coordinator for Sudan relief operations, said in a statement.

The current cease-fire stops at the border of Bahr el-Ghazal, however. And even if the rebels and government were willing, the pact could not easily be extended to Upper Nile. The fighting there is between warlords allied with, but perhaps not controlled by, the Khartoum government. And warlords, officials acknowledge, are far less vulnerable to the international pressure that did much to bring the rebels and Khartoum government to at least temporary peace in Bahr el-Ghazal.

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## Planes, Trains And Ottawa Deals

### Diverse Products and Close Ties To Government Aid Bombardier

By Anthony DePalma  
New York Times Service

**MONTREAL** — These days, Pierre Beaudoin often finds himself staring out his office window, scanning the skies for snow clouds.

That may not come as a surprise. He is after all president of the recreational products division of Bombardier Inc., whose Ski Doo snowmobiles have been in a sales slump for two years. But other executives at the company's headquarters here are not nearly as sensitive to the vagaries of the weather.

For Bombardier has come a long way from its beginnings in 1942 as a maker of snowgoing equipment that expanded into snowmobiles in the early 1960s.

The company has grown into a global transportation giant whose revenue is increasing 20 percent a year. It builds and sells subway cars, trains, airplanes and other motorized vehicles to clients that range from the New York City subway to Shanghai province's China Snowmobiles are now just a small part of the company's \$6.1 billion annual business.

Quietly but aggressively, Bombardier has built itself up. The company has succeeded in part by trying to be like a local company when it enters new markets and regions, usually by taking over a government-owned business or entering into a partnership with the local government.

Yet Bombardier is still very much a Canadian institution with close ties to the government in Ottawa, which has helped the company more than once. Cozying up to government officials, of course, is not uncommon in aerospace and mass transportation, businesses in which the customers are often government agencies and the capital outlays are enormous.

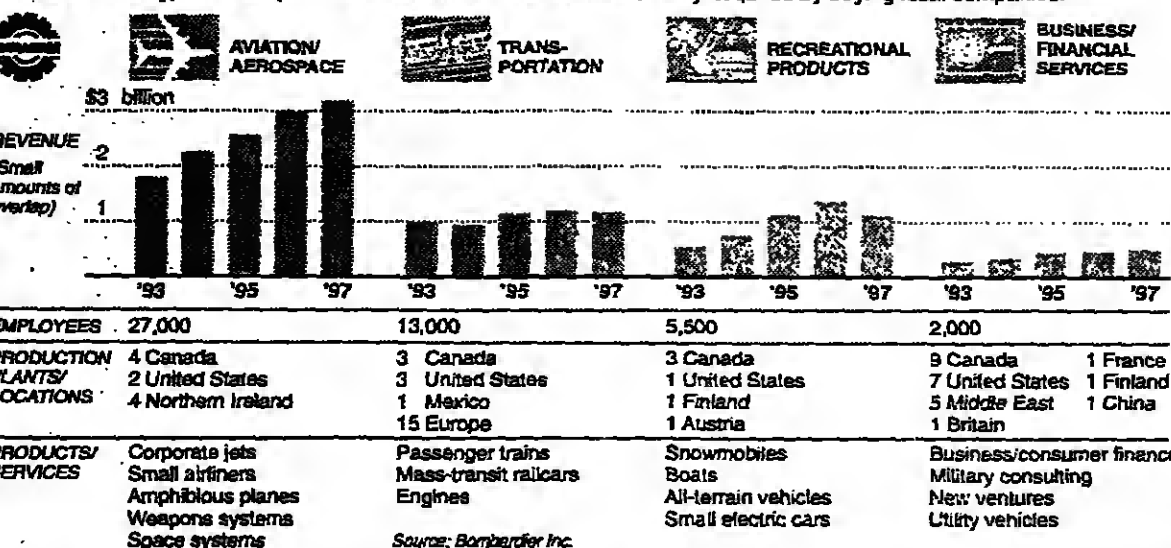
And Ottawa officials know that Bombardier, like many other successful Canadian businesses, needs to look beyond its limited domestic market and focus on exports. Roughly 88 percent of the company's revenue comes from abroad.

Still, Bombardier's close relationship with the Canadian government has at times drawn fire from competitors, who complain that Ottawa unfairly props up the company.

"It's a deliberate and determined policy by the government of Canada to support the aerospace industry by whatever means available," said Valdemar Leno, director of the economic department in the Foreign Ministry of Brazil, the home of Empresa Brasileira de Aeronautica SA, Bombardier's chief rival in the market for regional

### Snowballing Growth

From its origins in Canada as a maker of snowgoing equipment, Bombardier has grown into a multinational manufacturer of vehicles of all types. It has production facilities around the world, many acquired by buying local companies.



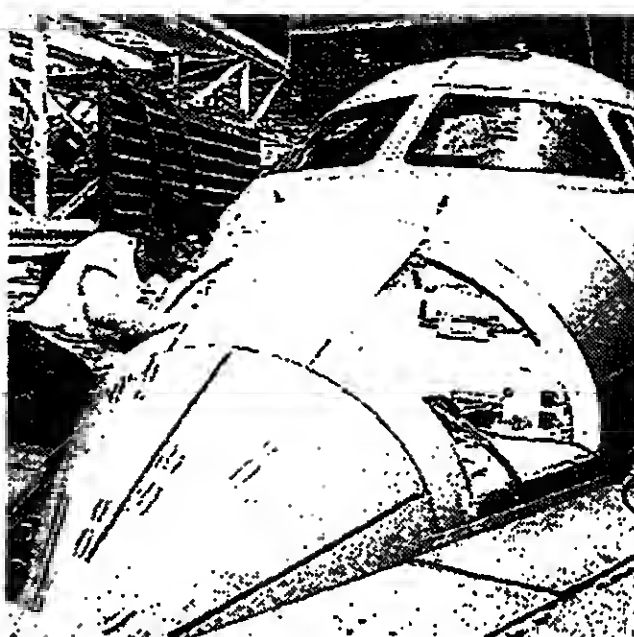
jets. "And if you talk about aerospace in Canada you have to talk about Bombardier."

In response, Bombardier acknowledges that it has received assistance from the government, but it says that such help consisted not of subsidies but of repayable loans that were available to other manufacturers too.

Still, for a company that has not sought to draw much attention to itself, such criticism has often thrown a spotlight on Bombardier both at home and in the many foreign countries where it does business. Consider the following cases:

• One of the company's first major contracts in the United States — a 1982 deal to build \$25 cars for the New York City subway — caused an uproar because the Canadian government had provided \$563 million of low-interest loans to finance the bid. The U.S. Commerce Department ruled that Canada had illegally subsidized the sale and was prepared to fine the Metropolitan Transportation Authority of New York \$91.2 million — the estimated value of the illegal subsidy. The fine was withdrawn when the subway system agreed not to buy foreign-made cars again for three years.

• When Bombardier bought the De Havilland division of Boeing Co. in 1992, the province of Ontario helped by acquiring 49 percent of De Havilland's equity. Last year, Ontario agreed to sell its share to Bombardier for \$34 million, but government opposition leaders and Bombardier's rivals complained about the sweetheart terms



Workers installing electrical wiring in the nose of a Canadair jet at the Bombardier plant in Dorval, Quebec.

See BOMBARDIER, Page 10

## Concerns Grow For Japan Banks

### Tokyo Finds More Problem Loans

Compiled by Our Staff From Dispatchers

**TOKYO** — The 17 nationwide banks in Japan held 12 percent more in problem loans as of March than they reported earlier, the nation's financial watchdog said Friday after completing its first audit of the lenders.

The Financial Supervisory Agency said it found 49.5 trillion yen (\$426.8 billion) in problem loans, 5.4 trillion yen more than the banks had calculated.

The financial watchdog spent about four months auditing the lenders to see whether they classified problem debt properly and set aside enough money to cover losses. In the process, two banks were found to be insolvent and taken over by the government.

"The audit is a warning to the banks," said Satoshi Toyonaga, an analyst at Okasan Securities Co. "Two big lenders have already fallen. Now banks know that defying the FSA is defying the market."

The government took over Long-Term Credit Bank of Japan Ltd. in October and Nippon Credit Bank Ltd. this month in what analysts said was a sign that authorities were getting serious about cleaning up bad loans and shutting down the weakest lenders. The problem loans of the two lenders — totaling 5.2 trillion yen — were not included in figures released Friday.

Chief Cabinet Secretary Hiromu Nonaka dismissed concern about the management of the other banks, stressing that they would not collapse.

"The 17 banks are different from the two banks that slipped into excess liabilities with large bad loans," he said. The figures represent the amount banks think they could lose on their loans and other forms of credit, such as loan guarantees. That means the figures do not include bad-loan reserves or secure collateral, such as cash.

The biggest problem uncovered in the audit was that some banks applied more lenient write-off rules for loans to their financial affiliates than to other borrowers, said Hirofumi Gomi, head of the audit division of the agency.

As a result of the audit, the watchdog has ordered banks to increase reserves by a total of 1 trillion yen, Mr. Gomi said. On average, the banks had set aside reserves against 1.59 percent of their loans to risky borrowers and 52.1 percent of their loans to practically bankrupt borrowers, he said.

"Every bank had problems of some sort," Mr. Gomi said. "All the banks needed to set aside more in reserves."

The banks are incorporating the new reserve levels and revising their methods of measuring problem loans, Mr. Gomi said. That could result in revisions to earnings forecasts for the year through March 31, 1999.

It could also make some banks apply for more government aid than they had originally planned, said James Fiorillo, an analyst at ING Barings Securities (Japan) Ltd.

Fifteen of the 17 banks said they would ask for a total of about 5.78 trillion yen in public money during the current fiscal year to increase capital after writing off bad debt. "This news will not detrimentally impact bank shares but will force some banks to pick up the amount of public funds they are applying for," Mr. Fiorillo wrote in a report. "Now the FSA has the weapon it has been waiting for, so the markets will be carefully watching for any signs of more casualties."

Masaru Hayami, governor of the Bank of Japan, said he would meet with bank leaders to ask them to seek more public funds. Kyodo news agency reported.

(Bloomberg, AFP, Reuters)

## Chinese Find Romania No Land of Gold

By Peter S. Green  
International Herald Tribune

**BUCHAREST** — The Europa Bazaar sprawls along the outskirts of the sooty capital of Romania, awash with a surging tide of humanity. Shopkeepers hawk their wares from low-roofed stalls jutting into the ramshackle alleyways: piles of cheap jeans, sneakers and underwear, and racks of wedding dresses and car radios.

Mixed in with shouts in Romanian, Russian and broken English is the distinctive sound of Mandarin Chinese.

Mainland Chinese traders were quick to capitalize on the fall of the Iron Curtain in 1989 and are now ubiquitous in the bazaars of Eastern Europe. They dominate the low-price retail business across the region, offering goods from their home provinces that are cheaply made and cheaply sold.

When they arrived, they found a ready market among the impoverished consumers of Southeast Europe, and between 10,000 and 40,000 mainland Chinese traders settled in Romania, a new immigrant class seeking to make its fortune.

But now, with Romania's economy in suspended animation, profits are scarce and many Chinese traders are disillusioned, ready to pocket their meager fortunes and go home.

Counting the day's sales from behind stacks of shoes, hats and cotton socks, Chen Chi, a 43-year-old seamstress who left Beijing dreaming of riches, now says she wants only to return to China.

"Romania is too expensive," she said. "I'll eat all my profits here and I won't take anything back home with me."

Ts-Cheng, a 26-year-old from Harbin province, said he had spent the past two years trying to sell 3,000 polyester shirts so he could head back to his old job

selling Chinese wood to Japan. He still has 2,000 shirts left, but now they are last year's design. Even cutting his price to \$2 from \$5 has not helped. "I'm not very successful," he said.

Yang, a 25-year-old merchant from Shanghai, said his profit margin had been halved in the past few months to about 5 percent, on sales of 10 million lei (\$1,000) a day. A friend back home buys and ships him goods, which arrive by container in Constanta, Romania's Black Sea port. But too much supply is pushing prices down, and the competition is tough.

"Too many Chinese," Yang said. Romanian merchants at the bazaar agree.

"They're ruining our prices. Our markup is only 3 to 5 percent. Otherwise, we'd be destroyed by the competition," said Gabriela Bercean, who sells Romanian-made sweaters with her partner, Reza Karimi, an Iranian.

But the bane of the merchants' existence — both Chinese and Romanian — may really be Romania's fractious government, which has been unable to maintain a credible economic reform program since throwing out a government of former communists in 1995. Inflation is high, the economy is expected to shrink this year and purchasing power has plummeted, along with the currency.

Many Chinese traders get goods on credit from state-owned factories in their home provinces. State-owned foreign trade companies offer attractive credit, as low as 6 percent for dollar loans.

Yet selling \$30,000 worth of goods a month brings a profit of \$1,500, at most. Rent on stalls is about \$600 a month for a small concrete room and sidewalk space. Rent for an apartment can be \$250. Romanian employees must be paid, along with at least a nominal

amount of taxes to keep the financial police at bay.

On top of this, there are the *spaga*, or payoffs to Romanian police, and *ju-pai* for Chinese gangs.

The five main Chinese business groups in Romania, each built around a home region in mainland China, have parallel mafias to collect the protection money and enforce the rules, say officers of the organized crime squad in Bucharest.

Bucharest now has two weekly Chinese-language newspapers and two Chinese kindergartens, but the Chinese here speak mainly of returning home, or going to the United States.

"America is a melting pot nation, but these Chinese people came here to make business. We can't really talk about integration," said Tiberius Dinu, a Romanian who has studied the Chinese community in Bucharest.

But Yin Xiao-Ping, who came to Bucharest in 1992, still sees Romania as the land of the future. He has just finished building a 400-stall, all-Chinese market just outside the gates of the Europa Bazaar. He is president of the Union of Chinese Businessmen in Romania, and a white stretch Lincoln Town Car sits outside his office.

Romania, he said, can be China's gateway to the former Soviet Union. Already, some 40 percent of Chinese imports to Romania go to three former Soviet republics — Belarus, Ukraine and Moldova — Mr. Yin said.

The key, he said, is to take a long-term view. "If the politicians change, then in 5 to 10 years this country will really take off," Mr. Yin said.

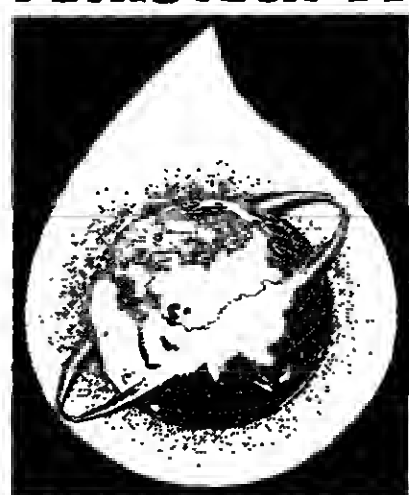
He is in Romania to stay. For many Chinese, home is where one's ancestors are buried, and last year, Mr. Yin's father died in Bucharest. "Now," Mr. Yin said, "Romania is the land of my ancestors."

### To Our Readers

Most financial markets were closed on Friday for the Christmas holiday. Most stock tables in today's edition reflect prices from trading on Thursday.

## Strike It Rich

### PETROTECH-99



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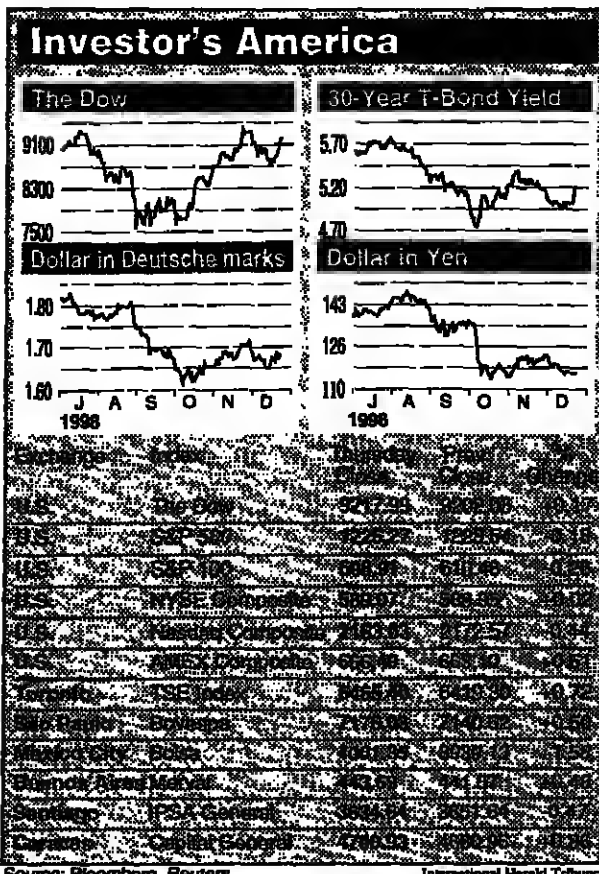
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### CURRENCY & INTEREST RATES

| Cross Rates         |         |         |        |          |         |          |          |          |          |
|---------------------|---------|---------|--------|----------|---------|----------|----------|----------|----------|
|                     | USD     | EUR     | GBP    | JPY      | AUD     | HKD      | SGD      | THB      | INR      |
| American            | 1.00    | 0.75    | 0.65   | 106.50   | 0.70    | 7.75     | 1.35     | 31.25    | 47.80    |
| British             | 1.54    | 1.00    | 0.79   | 160.33   | 1.03    | 11.00    | 1.91     | 45.36    | 69.46    |
| French              | 1.66    | 1.34    | 1.00   | 166.63   | 1.15    | 12.00    | 2.06     | 49.36    | 74.56    |
| German              | 1.93    | 1.55    | 1.25   | 193.54   | 1.36    | 14.00    | 2.36     | 57.36    | 87.56    |
| Italian             | 2.36    | 1.93    | 1.55   | 236.36   | 1.66    | 17.00    | 2.86     | 70.36    | 107.56   |
| Spanish             | 166.63  | 134.00  | 106.50 | 1666.33  | 115.00  | 120.00   | 206.00   | 493.63   | 745.63   |
| Swiss               | 1.48    | 1.15    | 0.93   | 148.50   | 1.03    | 11.00    | 1.91     | 45.36    | 69.46    |
| Japanese            | 0.0094  | 0.0072  | 0.0062 | 1.00     | 0.0070  | 0.0077   | 0.0135   | 0.3125   | 0.4780   |
| Australian          | 0.70    | 0.53    | 0.43   | 70.00    | 1.00    | 11.00    | 1.91     | 45.36    | 69.46    |
| South African       | 6.50    | 5.00    | 4.00   | 650.00   | 5.00    | 55.00    | 100.00   | 225.00   | 345.00   |
| Thai                | 31.25   | 24.00   | 19.00  | 312.50   | 24.00   | 260.00   | 450.00   | 1000.00  | 1500.00  |
| Indonesian          | 1500.00 | 1150.00 | 900.00 | 15000.00 | 1150.00 | 12500.00 | 22000.00 | 50000.00 | 75000.00 |
| Philippine          | 47.80   | 37.00   | 29.00  | 478.00   | 37.00   | 400.00   | 700.00   | 1500.00  | 2200.00  |
| Chinese             | 6.94    | 5.30    | 4.20   | 69.40    | 5.30    | 58.00    | 105.00   | 230.00   | 350.00   |
| Indian              | 47.80   | 37.00   | 29.00  | 478.00   | 37.00   | 400.00   | 700.00   | 1500.00  | 2200.00  |
| Other Dollar Values |         |         |        |          |         |          |          |          |          |
| Argentine peso      | 1000.00 | 750.00  | 600.00 | 10000.00 | 750.00  | 8000.00  | 15000.00 | 30000.00 | 45000.00 |
| Brazilian real      | 1000.00 | 750.00  | 600.00 | 10000.00 | 750.00  | 8000.00  | 15000.00 | 30000.00 | 45000.00 |
| Colombian peso      | 1000.00 | 750.00  | 600.00 | 10000.00 | 750.00  | 8000.00  | 15000.00 | 30000.00 | 45000.00 |
| Costa Rican col.    | 1000.00 | 750.00  | 600.00 | 10000.00 | 750.00  | 8000.00  | 15000.00 | 30000.00 | 45000.00 |
| Czech koruna        | 1000.00 | 750.00  | 600.00 | 10000.00 | 750.00  | 8000.00  | 15000.00 | 30000.00 | 45000.00 |
| Danish krone        | 1000.00 | 750.00  | 600.00 | 10000.00 | 750.00  | 8000.00  | 15000.00 | 30000.00 | 45000.00 |
| Forward Rates       |         |         |        |          |         |          |          |          |          |
| 3-month             | 1.00    | 0.75    | 0.65   | 106.50   | 0.70    | 7.75     | 1.35     | 31.25    | 47.80    |
| 6-month             | 1.00    | 0.75    | 0.65   | 106.50   | 0.70    | 7.75     | 1.35     | 31.25    | 47.80    |
| 1-year              | 1.00    | 0.75    | 0.65   | 106.50   | 0.70    | 7.75     | 1.35     | 31.25    | 47.80    |
| Libor-Libor Rates   |         |         |        |          |         |          |          |          |          |
| 3-month             | 5.50    | 4.50    | 3.50   | 5.50     | 4.50    | 3.50     | 5.50     | 4.50     | 3.50     |
| 6-month             | 5.50    | 4.50    | 3.50   | 5.50     | 4.50    | 3.50     | 5.50     | 4.50     | 3.50     |
| 1-year              | 5.50    | 4.50    | 3.50   | 5.50     | 4.50    | 3.50     | 5.50     | 4.50     | 3.50     |
| Key Money Rates     |         |         |        |          |         |          |          |          |          |
| 3-month             | 5.50    | 4.50    | 3.50   | 5.50     | 4.50    | 3.50     | 5.50     | 4.50     | 3.50     |
| 6-month             | 5.50    | 4.50    | 3.50   | 5.50     | 4.50    | 3.50     | 5.50     | 4.50     | 3.50     |
| 1-year              | 5.50    | 4.50    | 3.50   | 5.50     | 4.50    | 3.50     | 5.50     | 4.50     | 3.50     |



## THE AMERICAS



## Very briefly:

## MBNA to Buy PNC Loan Package

PITTSBURGH (Bloomberg) — PNC Bank Corp., the largest bank in Pennsylvania, has agreed to sell \$2.9 billion of credit card loans to MBNA Corp. as PNC exits the card business.

MBNA is buying 3.3 million accounts from PNC, including American Automobile Association-branded affinity credit card accounts, and PNC's specialized credit card-issuing bank. PNC will receive \$435 million for the credit card loans, said Brian Dalphon, MBNA director of investor relations, but the companies declined to provide a value for the entire transaction. PNC sold \$821 million worth of loans to Metris Cos. this month.

## Frost Takes Toll on California Citrus

FRESNO, California (AP) — The freeze that swept across the Central Valley of California this week has numbed the citrus industry; orange, lemon and tangerine crops ruined and hundreds of workers laid off in an area already hurting from high unemployment.

In many orange groves, as much as 85 percent of the crop was destroyed, and the state estimates total citrus losses at a minimum of \$591 million. At a packing house run by LoBue Bros., 450 of 500 workers have been laid off.

## Financing Set for Philippine Plant

LEXINGTON, Massachusetts (Bloomberg) — Raytheon Co. said financing for a \$700 million dam and power plant in the Philippines is complete. The project is being built on the Lower Agno River at San Roque, on the island of Luzon.

The financing gives a lift to Raytheon's Engineers & Constructors division, which has been struggling as weakened overseas economies pare construction spending.

## BOMBARDIER: Growth

Continued from Page 9

of the deal — the purchase price was payable over 15 years at an interest rate of 7 percent.

In a complaint over before the World Trade Organization, Brazil accuses Canada of providing Bombardier with millions of dollars in loans that are actually prohibited export subsidies. That complaint followed one that Canada filed on behalf of Bombardier, accusing Brazil of providing subsidies that let the Brazilian aircraft maker, known as Embraer, use export financing to discount the price of its jets by \$2.5 million each, taking business from Bombardier.

When Bombardier's bid to build 252 subway cars for a new line in Mexico City was rejected last year, the Canadian ambassador to Mexico, Marc Perron, accused the municipal government of chicanery. He later resigned.

Prime Minister Jean Chretien of Canada stepped in and wrote to the president of Mexico, Ernesto Zedillo, asking him to investigate the rejection of Bombardier. The competing bid was also eventually rejected. A new competition is to be held, but no selection will be made until 2000.

Laurent Beaudoin, Bombardier's 60-year-old chairman — and father of the 36-year-old Pierre Beaudoin — does enjoy a close relationship with Mr. Chretien, who is also from Quebec. And over all, Yves Allaire, vice president for strategic planning at Bombardier, described the company's relations with the government as "good to moderate."

But are they good enough to ask for favors from the government? "Well, no, not favors in the sense of anything that is out part of standard programs," Mr. Allaire said. "The only favor, quote unquote, we asked is that they go to the WTO to fight off Brazil, and it took us two years to get Canada to go. So that could be considered a favor, but if it's a favor, it took a long time coming."

In its submission to the WTO on behalf of Bombardier, the government stated that "none of the impugned programs, activities or transactions is a prohibited export subsidy."

Controversy may be difficult to avoid for a company that has a reputation for being a gutsy organization willing to take big risks.

In his joyous particular success in aerospace, a business that Bombardier timidly entered in 1986 with the purchase of Canadair, a wobbly aviation company, from the Canadian government.

Now Bombardier is the third-largest civilian aerospace company in the world behind Boeing and the European consortium Airbus Industrie.

This year, Bombardier has received orders for more than 150 of its small regional jetliners — an aircraft niche it practically invented. It builds the Learjet line of luxury private aircraft and even a workhorse water bomber used by services that fight forest fires.

Bombardier, which has 47,000 employees, is one of the largest rail and subway contractors in the world. The New York City subway cars were assembled at the company's plant in Plattsburgh, New York, and the company is at work on another 680 cars worth more than \$900 million.

Bombardier will also run and maintain a new light-rail line planned to link New York City to Kennedy International Airport, the 150-mile-an-hour (240 kilometer-an-hour) trains that will run on Amtrak's Northeast corridor and as many as 500 intercity railcars for China's Ministry of Railways.

Earlier this month, it signed a \$1.8 billion contract to build locomotives and train coaches for the Virgin Rail Group in Britain.

While snowmobiles and Sea-Doo jet skis have been reduced to a small part of Bombardier, until recently they accounted for about a third of the company's profit. In the latest monthly report, though, recreational vehicles showed no profit. The company as a whole earned \$81 million in the period.

"Bombardier is almost like a portfolio," said Ronald Schwarz, executive director of equity research at CIBC Wood Gundy, an investment bank in Toronto. "At any given time, one segment may not be performing as it should, but it will be offset by a better-than-expected performance by another segment of the portfolio."

## AOL Chief Becomes A Billionaire

Bloomberg News

DULLES, Virginia — The stock holdings of Steve Case, the chief executive of America Online Inc., have eclipsed \$1 billion in value, as the former pizza-toppings developer reaps the reward of a soaring share price for the No. 1 Internet service.

Mr. Case, who worked for Tricon Global Restaurants Inc.'s Pizza Hut chain before joining AOL's predecessor company in 1983, owns about 8.54 million shares and options, according to regulatory filings. His holdings are now valued at \$1.16 billion, based on AOL's closing price Thursday of \$136.625. The shares have risen 56 percent in December alone.

AOL joins the benchmark Standard & Poor's 500 index on Dec. 31, in what amounts to a crowning moment for Mr. Case. He overcame doubters and customer-service snafus to establish AOL as the dominant Internet-access company, with 14 million subscribers. Along the way, AOL acquired its chief competitor, CompuServe Corp., and has made a deal to buy Netscape Communications Corp.

"In a sense, Steve Case built the company from the ground up," said Ryan Jacob, a portfolio manager with the Internet Fund. "He deserves it."

AOL shares have climbed more than six-fold this year, and they may continue to rise on investor optimism for Internet stocks and purchases by index mutual funds that seek to mirror the S&P 500, analysts said.

Mr. Case joins several other Internet entrepreneurs who have become overnight billionaires, at least on paper. The Amazon.com Inc. chairman, Jeff Bezos, owns 19.6 million shares of the on-line retailer valued at \$6.37 billion. The Yahoo! Inc. co-founders David Filo and Jerry Yang have stakes of more than \$1 billion in the leading Internet directory.

Two other AOL executives also have stockpiled shares and options valued at more than \$300 million each.

Bob Pittman, AOL's chief operating officer who founded Viacom Inc.'s MTV Networks, has 3.98 million shares and options valued at about \$550.7 million. Lennert Leander, formerly AOL's chief financial officer and now president of AOL Investments, which manages the company's stakes in other companies, has 2.57 million shares and options worth about \$355.6 million.

## Customer Service: An Expendable Luxury?

Downsizing and Price Wars in U.S. Stores Add Up to Horror Stories for Shoppers

By Constance L. Hays  
New York Times Service

NEW YORK — At the Container Store, a chain based in Dallas that specializes in storage products and closet organizers, employees do far more than ring up sales. They are trained to think of themselves as counselors or problem solvers — whether the issue is a shared closet that must house one spouse's 34 pairs of shoes or a child's room spilling over with an unmanageable number of toys.

"We've had customers come up to us and say, 'This is better than a visit to my shrink,'" said Garrett Boove, the chief executive.

The company, which has 19 stores around the United States, considers customer service a "core competency," not a frill, and trains sales clerks for 185 hours the first year; the industry average is below 10.

And the company often hires its best customers, contending that people who are not actively looking for a job turn out to be great employees.

But the Container Store's approach, alas, is a rare exception. For most of the United States, customer service frequently remains an oxymoron, though there are signs that some stores are paying more attention to the problem. Staffers have been cut in the heat of competitive battle, and sales clerks who remain are often less than stellar — since, with joblessness down, good workers have higher-paying options.

And while this is a year-round problem, it is especially acute in the frenzied holiday season. At this time of year, hordes of shoppers confront temporary sales clerks, who may be the least well trained of all.

Judging from shoppers' stories, many encounters with sales "help" turn decidedly sour. When customers do have a good experience, it must seem like a rarity, for they often feel compelled to remark on it.

As gauged by a University of Michigan in-

dex, customer-service satisfaction has dropped steadily the last few years. The rate of satisfaction among the 200,000 shoppers interviewed remains far below what it was in 1994, said Claes Fornell, a professor of business administration who oversees the American Customer Satisfaction Index.

"You have fewer people serving more customers," he said, adding that he had his own run-ins with airlines and cable companies,

In the United States, customer service is often an oxymoron. Staffs have been cut in the heat of the competitive battle, and sales clerks who remain are often less than stellar since, with joblessness down, good workers have higher-paying options.

"and the result is usually worse service."

Some stores that have had cutbacks have little to offer workers in terms of training or pay. Others have apparently failed to anticipate what customers might need.

"I was at one store that had good service, to the point that the guy kind of hovered around me," said Inna Hagen, an actress and lawyer in New York City, "but then they didn't have gift wrap, which was annoying when you're shopping for Christmas presents. They charged me \$6 for a ribbon."

"I expect good service," she added, "but I think you don't get it a lot of the time."

At the Container Store, "We know we are just wild-eyed fanatics when it comes to human resources and training," said Kip Tindell, the chief operating officer, who founded the company with Mr. Boone 20 years ago. "It is the most difficult and the most joyous part of the retail business, and most people avoid it like the plague."

The company says it makes a hefty profit, too, though it is privately held and does not make such information public.

Service Intelligence, an Atlanta consulting firm that is hired to place spies — or "mystery

shoppers," as they prefer to call them — in stores to see how well serviced everything is, has a Web site ([www.serviceintelligence.com](http://www.serviceintelligence.com)) stocked with horror stories sent in by consumers. Some of the most outrageous incidents occurred in retail stores.

"While visiting a department store, I was amazed at how the only sales clerk in the area was chatting on the telephone," a consumer reported. (Neither shoppers nor stores are named on the Web site.) "I roamed around the department near the counter trying to catch her attention. This didn't work. Finally, I approached the counter and stood directly in front of her. She refused to make eye contact and actually turned away from me. At this point, I stormed out of the store, vowing never to return."

Much of the deterioration is the result of price wars, which prompted one executive after another to zero in on customer service as an expendable luxury.

"It's been a huge mistake for many of these retailers," said Leonard Berry, a professor at Texas A&M University's Center for Retailing Studies, who is about to publish a book, "Discovering the Soul of Service," which examines businesses that have effective customer service.

"They cut costs in order to cut prices, in order to compete with the Wal-Mart of the world," he said. "But they're not competing with the Wal-Mart anyway, and they'd be better off serving their particular customers. Price is price, but value is the total experience, and the best companies compete on the total experience shoppers have."

Some stores manage to maintain their islands of civility. At Saks Fifth Avenue, sales clerks have been known to write thank-you notes to shoppers after they make purchases — even if the purchases are less than spectacular. Nordstrom maintains a sterling reputation for going out of its way to satisfy customers.

But those are the exceptions.

## The U.S. Spending Spree Is Showing Signs of Slowing

By John M. Berry  
Washington Post Service

WASHINGTON — If the Christmas buying season does not turn out to be as great as U.S. retailers expected, it was not because consumers did not have money to spend.

The Commerce Department reported Thursday that personal income rose 0.5 percent in November, the largest monthly gain since February. Wage and salary income was up 0.6 percent for the month, for a

6.1 percent increase from November 1997.

Moreover, disposable personal income, essentially after-tax income, continued to rise far faster than prices. Over the past 12 months, it increased 3.3 percent, and in the past three months grew at an even faster 3.7 percent annual rate.

Gains in this measure of consumer buying power have been 2 percent or more in each of the past five years, a record unmatched since the 1960s.

In the same report, the Commerce

Department said consumer spending rose only 0.1 percent in November as purchases of new cars, light trucks and other durable goods fell 0.9 percent.

Analysts said, however, regular spending patterns on cars and trucks were disrupted last summer by the lengthy General Motors Corp. strike, which limited availability of some popular models. As a result, purchases of durable goods fell a sharp 4.1 percent in July and then began to rebound.

In August, the month the strike ended, spending on durables increased 1.1 percent and then 2.6 percent in September and 2.4 percent in October before dipping again last month.

Despite the ho-hum spending last month, analysts said the quarterly gain in personal consumption spending, which accounts for nearly two-thirds of gross domestic product, will show strong growth because of major increases in spending earlier in the quarter.

## U. S. STOCK MARKET DIARY

Dec. 24, 1998

| Index     | High    | Low     | Open    | Close   |
|-----------|---------|---------|---------|---------|
| Dow Jones | 7985.25 | 7965.25 | 7970.25 | 7970.25 |
| S&P 500   | 1150.25 | 1145.25 | 1148.25 | 1148.25 |
| Nasdaq    | 2150.25 | 2140.25 | 2145.25 | 2145.25 |

| Index          | High   | Low    | Open   | Close  |
|----------------|--------|--------|--------|--------|
| AMEX           | 445.25 | 440.25 | 442.25 | 442.25 |
| Dow Jones Bond | 118.25 | 118.25 | 118.25 | 118.25 |

| Index  | High    | Low     | Open    | Close   |
|--------|---------|---------|---------|---------|
| Nasdaq | 2150.25 | 2140.25 | 2145.25 | 2145.25 |
| AMEX   | 445.25  | 440.25  | 442.25  | 442.25  |

| Index          | High    | Low     | Open    | Close   |
|----------------|---------|---------|---------|---------|
| Dow Jones Bond | 118.25  | 118.25  | 118.25  | 118.25  |
| Nasdaq         | 2150.25 | 2140.25 | 2145.25 | 2145.25 |

| Index          | High   | Low    | Open   | Close  |
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| Index  | High    | Low     | Open    | Close   |
|--------|---------|---------|---------|---------|
| Nasdaq | 2150.25 | 2140.25 | 2145.25 | 2145.25 |
| AMEX   | 445.25  | 440.25  | 442.25  | 442.25  |

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|----------------|---------|---------|---------|---------|
| Dow Jones Bond | 118.25  | 118.25  | 118.25  | 118.25  |
| Nasdaq         | 2150.25 | 2140.25 | 2145.25 | 2145.25 |

| Index          | High   | Low    | Open   | Close  |
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|--------|---------|---------|---------|---------|
| Nasdaq | 2150.25 | 2140.25 | 2145.25 | 2145.25 |
| AMEX   | 445.25  | 440.25  | 442.25  | 442.25  |

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|----------------|---------|--------|--------|--------|
| Index          | High    | Low    | Open   | Close  |
| Dow Jones Bond | 118.25  | 118.25 | 118.25 | 118.25 |
| Nasdaq         | 2150.25 | 2140   |        |        |



EUROPE

# Congo's Misery: Endless War and Cheap Diamonds

Amid the Hardship of Yet Another Rebellion, Gem Dealers Find Their Business Has Gone Sour

By Ian Fisher  
New York Times Service

KISANGANI, Democratic Republic of the Congo — The phones have not worked in years. The banks are empty. The cars were looted in the last rebellion.

"So it is a little surreal, amid the hardship of another rebellion, to watch a group of men walk into a shop here called Big Joe's, peel open a wadded piece of paper and pick out the ultimate luxury good: an uncut diamond weighing nearly two carats. The food shops may be bare, but a dealer sits with his chest pocket full of \$100 bills, waiting for diamond diggers to come in from the bush.

"We are the wealthiest country in the world and yet we have nothing," said Bolea Zetu, 40, a diamond dealer at Big Joe's, casually offering up the great paradox about much of Africa, but Congo, the former Zaire, in particular: that it is so rich but so achingly poor.

Unlike the main diamond mining area about 650 kilometers (400 miles) south of this rebel-held city in the northeast, diamond digging here is mostly small-time.

Men try their luck for several months, or years, in holes in the forest floor near towns like Buta, Banalia, Lubutu. Many are lucky: one of the major shops here says that in good times it buys up to

2,000 carats of diamonds a month from local diggers and sells mostly to foreign traders.

But these are not good times. On Aug. 23, rebels seeking to overthrow President Laurent Kabila took Kisangani, the largest city in what has since become a huge swath of eastern Congo controlled by the insurgents.

Diamonds play a major role in that insurgency. Now that the foreigners have fled, industry analysts and dealers say, the rebels — as well as Ugandans and Rwandans, whose countries back the rebels — are buying up diamonds, presumably to help finance the war. Many analysts say they believe the rebels' next target is the center of Congo's diamond mining area, the city of Mbuji-Mayi.

It is there that Mr. Kabila's forces and his foreign allies, Zimbabwe particularly, are reported to be building up their defense. But the rebellion has been hard on the diamond businesses here, whose shops are decorated with looted signs painted with gems and wild animals.

Elumbu Kalokola Kennedy, the president of the city's association of diamond dealers, said that before the rebellion last year that ousted the Zairian dictator, Mobutu Sese Seko, and brought Mr. Kabila to power, there were 465 dealers. After he took office, the numbers



shrank to 342. That number has slowly dropped to a low of 47 since the latest rebellion began in August.

The prices? "Oh-la-la, la catastrophe!" Mr. Kennedy said in French, the language of the Belgians who colonized Congo in the late 1800s largely on the promise of the country's great wealth in gold, ivory, rubber and palm oil.

Several years ago, he said, he could buy a small diamond — a quarter carat or less — for \$160 and sell it for \$190. (U.S. dollars are the currency here unless a dealer wants to offer a small incentive to a digger. Then he might add something extra in Congolese francs, which

are valuable only in sacksful.) After Mr. Kabila came to power, he could buy the same diamond for \$140 to sell it at \$160. Now, he said, he buys that diamond for \$100 to sell at \$110.

"In the bush, the diggers don't want to dig anymore," Mr. Kennedy said. "They know at this moment their diamonds are worth nothing."

The prices used to be fairly uniform, dealers said, when they could call brokers in Antwerp or Kinshasa, Congo's capital. But now there is almost no way to get in touch with the outside world. The problem was evident on a recent day at Big Joe's, when three men came in with two diamonds, weighing 2.2 carats together, and began haggling. They rarely spoke aloud what price they wanted.

Rather, dealers and sellers alike madly punched numbers into calculators, each performing his own mathematical theater, and then showed the other side the result. (In an attempted sale at another dealer, four beeping calculators blazed at once.)

"You're asking too much," said Gaby Mbula, a dealer who has been the manager of Big Joe's since its Lebanese owner fled. "The diamonds are not really nice. They have some imperfections."

But Lungwa Mulumbi, 28, the man in charge of the two diamonds, would come down only a little. He wanted \$615. Mbula was willing to give \$550, which another dealer pulled out of his pocket to make the money less theoretical. The deal died. Mr. Mbula said greed was not necessarily the reason.

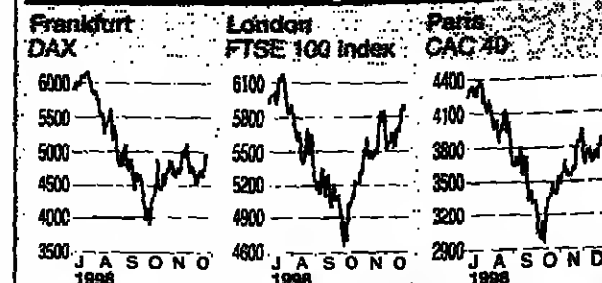
"Maybe those guys who were here were right about the price," he said. "We don't know."

With the lack of foreign buyers, he and Mr. Zetu said they have so few places to sell that they are stockpiling what they buy — waiting for the day this latest war is over, its duration measured in un-sold diamonds.

"Even if you brought \$1 billion you couldn't buy all the diamonds we have," Mr. Zetu said. "One million would last you five hours."

**Strike Cuts Platinum**  
Anglo American Platinum Corp.'s platinum and palladium mines will operate at below normal levels until at least Monday as about a third of its work force remains on strike over a wage dispute, Bloomberg News reported from Johannesburg.

## Investor's Europe



| Exchange   | Index          | Thursday Close | Prev. Close | % Change |
|------------|----------------|----------------|-------------|----------|
| Amsterdam  | AEX            | 1,178.66       | 1,174.19    | +0.38    |
| Brussels   | BEL 20         | 3,508.31       | 3,498.04    | +0.29    |
| Frankfurt  | DAX            | 4,851.77       | 4,851.77    | 0.00     |
| Copenhagen | Stock Market   | Closed         | 830.84      | 0.00     |
| Helsinki   | HEX General    | Closed         | 5,804.01    | 0.00     |
| Oslo       | OSEX           | Closed         | 490.60      | 0.00     |
| London     | FTSE 100       | 5,867.28       | 5,808.80    | +0.70    |
| Madrid     | Stock Exchange | Closed         | 883.81      | 0.00     |
| Milan      | MBTEL          | Closed         | 2,305.4     | 0.00     |
| Paris      | CAC 40         | Closed         | 3,872.42    | 0.00     |
| Stockholm  | SX 16          | Closed         | 3,348.83    | 0.00     |
| Vilnius    | ATX            | Closed         | 1,063.12    | 0.00     |
| Zurich     | SPI            | Closed         | 4,490.55    | 0.00     |

Source: Reuters International Herald Tribune

## Very briefly:

### IMF Chief Calls for Transparency

PARIS (Reuters) — Michel Camdessus, managing director of the International Monetary Fund, has said increased transparency among central bankers and regulators would help avoid financial crises.

"The only way to prevent crises will depend, not three-quarters but nine-tenths, on the quality of information from day-to-day intervention from the central banks and their relations with national commercial banks, with weekly reports on short-term debt of companies and countries," he said in speech in Paris on Thursday.

### For the Record

- Russian oil production fell 1 percent this year, to 302 million metric tons, less than one-third of the expected decline, as the plunge in value of the ruble offset low world prices, providing oil producers with cash to maintain output.
- Russia sold stakes in two coal producers for a total of 251.6 million rubles (\$12 million) as it attempts to secure a loan from the World Bank, a key condition of which is speedier sales of state-owned coal mines. The government sold 26.37 percent of AO Kuzbassrazrezngol to OOO SFEN; ZAO Uglemtokoperatsiya bought 26.02 percent of AO Yuzhny Kuzbass.
- DaimlerChrysler AG will pay a dividend on Chrysler shares for 1998, rather than waiting until next year, the company's chairman, Juergen Schremp, said.
- Kazakhstan's economy is expected to shrink by 3.0 percent in 1999 before recovering to expand 2.0 percent in the year 2000, the Economist Intelligence Unit said in a quarterly report.
- The Ukraine government now anticipates a 1.24 billion hryvnia (\$361.8 million) budget deficit in 1999, compared with a 680 million hryvnia deficit anticipated originally.

Bloomberg, AFP, Reuters

# Primakov Budget Passes, but Critics Call It Unrealistic

By David Hoffman  
Washington Post Service

MOSCOW — In a boost for the government, the Russian Parliament has given initial approval to next year's crisis budget, but it is a program that critics say includes unrealistic economic assumptions as well as the anticipation of continued financing from the International Monetary Fund.

The vote Thursday was a plus for Prime Minister Yevgeny Primakov, showing that he could command results in dealing with a Parliament that had opposed his predecessors. It also reflected fears in Parliament that delays could further sap Russia's already enfeebled economy.

Meanwhile, President Boris Yeltsin, looking recovered from a recent illness and sounding firm, scolded his would-be successors for starting their presidential campaigns too early. "Nobody has announced the beginning of the election campaign yet," he told television executives in a Kremlin meeting. "It hasn't started. But someone is launching it already. Someone is running ahead of the locomotive. I think it's a mistake."

Mr. Yeltsin's barb seemed aimed at Moscow's ambitious mayor, Yuri Luzhkov, who has launched a full-fledged presidential campaign. The lower house of Parliament,

the State Duma, has relatively limited powers, but one of its major duties is approving the budget. The 303-65 vote Thursday was for a fiscal blueprint that is the first since the ruble devaluation of Aug. 17. The ruble crash was partly the result of unrealistic budgets, overspending and lagging revenue that required the government to borrow huge amounts at high interest rates — borrowing that it could not sustain.

Mr. Primakov, who was appointed after the August crash, threatened to resign if lawmakers did not approve the budget promptly. The threat worked. All the major parliamentary parties lined up to support the document

except for the centrist Yabloko bloc, whose leader, Grigori Yavlinsky, complained that it did not cut taxes sufficiently.

The Communist Party leader, Gennadi Zyuganov, said, "We have voted for a bad budget, but we approved it because it is necessary for the present day."

The budget calls for the spending of 575 billion rubles (\$27.5 billion), revenue of 473 billion rubles, and a deficit of 101 billion rubles. It envisions inflation next year at 30 percent and the ruble trading at 21.5 to the dollar, although the rate already has come close to that level in recent weeks. A dollar was worth 19.87 rubles on Thursday. Critics say the

inflation and ruble-dollar assumptions are overly optimistic, especially if Russian leaders decide to increase the money supply and unleash still higher inflation.

"Is there any single person who believes that forecast?" said Mr. Yavlinsky. "No, there is not."

Mr. Primakov told lawmakers that he was pressing for quick adoption of the fiscal blueprint to persuade the IMF to release more loans to Russia, which needs them in part to pay back \$4.5 billion in loans due next year. The fund has not indicated whether it would agree to more lending. Russia also is searching for debt relief, restructuring and other loans linked to the IMF decision.

## LVMH Pulls Out Of Sanofi Talks

Bloomberg News

PARIS — The French drugmaker Sanofi SA is in talks with companies interested in its cosmetics and fashion unit after LVMH Moët Hennessy Louis Vuitton SA, the world's biggest maker of luxury goods, withdrew from negotiations.

Unilever NV, the world's largest household-goods maker, has said it is interested in the business, which includes the Yves Saint Laurent fashion house and is valued by analysts at about \$1 billion. Sanofi declined to name the other bidders, and Unilever would not comment further on whether it would bid.

LVMH said Thursday it broke off talks on purchasing the division after realizing it would be difficult to fold into its perfume unit.

Sanofi, which is 54.5 percent-owned by the French oil company Elf Aquitaine, decided to get out of the cosmetics business after agreeing to buy Synthelabo, a smaller French drugmaker known for its Stinolax sleeping pills.

"These difficulties looked like they'd block the very synergies we were looking for, so LVMH has withdrawn from the sale process," LVMH said.

An acquisition would have allowed LVMH, owner of the Christian Dior and Givenchy brands, to funnel more prestigious names through its retail network, expanded last year with the acquisition of a majority stake in the duty-free retailer DFS Group.

But analysts said LVMH was wise to pull out of the negotiations given the recent losses at DFS and dwindling sales in Asia.

The withdrawal of LVMH comes only two weeks after it announced talks with Sanofi. Unilever also announced its interest two weeks ago.

Sanofi's beauty business had sales of 4 billion French francs (\$712.5 million) last year. The beauty business, which would help another cosmetics company close the gap with the world No. 1, L'Oréal SA, might also interest Procter & Gamble Co., Estee Lauder Cos. and Germany's Wella AG, analysts said.

"As a part of Sanofi, it stuck out like a sore thumb," said Bill Blair, head of pharmaceuticals research at Robert Fleming Securities in London. "I suspect there aren't too many obvious buyers for the price they wanted."

"They'll sell it," Virginia Pascoe, an analyst at HSBC Securities in London, said about the Sanofi cosmetics business.

"It depends on how much they want. It's what the market was waiting for all along."

The investment bank Lazard Freres is handling the sale for Sanofi.

For Unilever, the beauty unit would add a more upscale range to its existing line of fragrances and skin care, which includes Calvin Klein and Elizabeth Arden perfumes. Unilever also makes traditional bath soaps, such as Lux and Dove, and the hair-care brands Salon Selectives, Finest and Sunsilk.

Unilever's personal-care unit generated 21.8 billion guilders (\$11.6 billion) in sales last year, or about 23 percent of revenue.

Most of Sanofi's beauty business comes from the 1993 purchase of Yves Saint Laurent Groupe SCA for \$3.6 billion francs in stock.

The cosmetics business swung to profitability with an operating profit of 39 million francs in the first half of 1998, compared with an operating loss of 31 million francs a year earlier.

Sanofi also wants a buyer for its stake in beauty-products maker Yves Rocher, which is not part of Sanofi's wholly owned beauty division. Rocher had sales of 8 billion francs in 1997 and contributed 151 million francs to Sanofi last year. Although Rocher is 62 percent-owned by Sanofi, the Rocher family has the majority of the voting rights.

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## Groupe Indosuez Funds Management Company S.A.

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### NOTICE TO THE UNITHOLDERS OF GROUPE INDOSUEZ FUNDS FCP-ASEAN PORTFOLIO (The Portfolio)

You have been informed of the suspension of subscriptions, conversions and redemption in the Portfolio since September 4, 1998 as a result of the foreign exchange controls imposed in Malaysia.

From 1 September 1998 the Fund's ability to withdraw funds from Malaysia is restricted. The full impact of these restrictions is however not yet known.

In order to deal with the uncertainty created by the situation in Malaysia in a manner that is fair to all shareholders and to be able to reinstate the possibility to subscribe, convert and redeem in the Portfolio, the Board of Directors has decided to take the following action:

- For valuation purposes all the Malaysian assets of the Portfolio were valued at zero on 21 December 1998 and since then are treated separately for valuation purposes. Prior to the valuation at zero the Malaysian assets represented 16.26% of the Portfolio, which had a total size of USD 25,356,103.
- From 21 December 1998, the Malaysian assets are held separately by the Administrative Agent and Custodian, for the benefit of all unitholders who were on register on 21 December 1998.
- Upon decision of the Board special distributions shall be made to all the unitholders of the Portfolio who were on the register on 21 December 1998, pro rata to their respective holdings. It is however unlikely that such payment be made before 1 September 1999. Unitholders will be informed of the special distribution by way of an announcement in the local press (International Herald Tribune, Luxembourg Wort and in the press of jurisdictions in which the Fund is registered).
- Unitholders are reminded to inform the Management Company of any changes to their contact address.
- Unitholders having subscribed after 21 December 1998, will not receive this special distribution with respect to the Malaysian assets, as the Malaysian assets will have been valued at zero as at this date, and therefore will not be reflected in the subscription price.
- Any additional costs incurred in making the special distribution, or related to the lifting of the suspension will be borne by GIFIS (Luxembourg) S.A.

Bearer unitholders are invited to present their unit certificates to Credit Agricole Indosuez Luxembourg (CAIL) in order to obtain new certificates with a right attached to the Malaysian proceeds. Bearer unit certificates not returned to CAIL for exchange will from 29 January 1999 no longer be of good delivery at the Luxembourg Stock Exchange. The listing of this Portfolio on the Luxembourg Stock Exchange will remain suspended until this date.

On notification by the Management Company according to point 3 above, which will be published in the Herald Tribune and in the Luxembourg Wort and in the local press of jurisdictions in which the Fund is registered, bearer unitholders may present the relevant rights to CAIL for payment of the special distribution to which they are entitled. The monies corresponding to the rights which shall not be represented to CAIL within six months following such distribution will be deposited at the Caisse de Consignation where they will be held for a period of 30 years for the benefit of the unitholders entitled thereto.

The non-Malaysian assets will not be affected by the above action. Subscription, conversion and redemption orders of the ASEAN Portfolio are as from 4 January 1999 accepted and the net asset value of the Units of the Portfolio will continue to be valued in the manner described in the prospectus and Management Regulations.

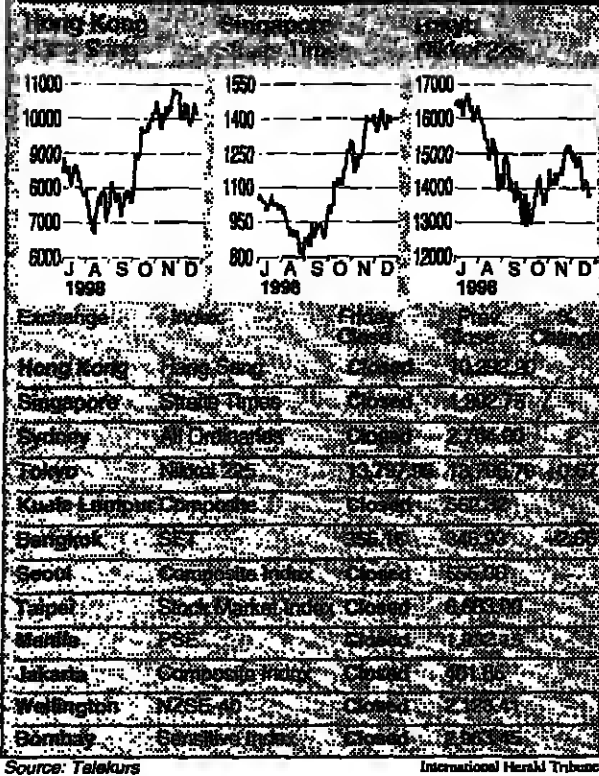
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Yours sincerely,  
Groupe Indosuez Funds Management Company S.A.



## ASIA/PACIFIC

## Investor's Asia



## Very briefly:

## Japan to Reprimand Nomura Unit

**TOKYO (Reuters)** — Japan's Financial Supervisory Agency plans to order Nomura Asset Management Co. to improve its operations after finding out the company inappropriately transferred funds to cover 15 billion yen (\$129.3 million) in losses incurred this year by a Nomura bond fund.

An official of the securities industry watchdog group said the unit of Nomura Securities Co. had contravened the principle of investor responsibility by using funds from one of the firm's operations to cover losses at another. But the agency said it was not planning to impose administrative punishment because the firm's action could not be construed as illegal.

Nomura Asset Management was expected to refrain from setting up new funds and from making direct sales of investment trust funds for about a month beginning Jan. 4 to atone for the action, the official said.

## For the Record

• **Yasuda Mutual Life Insurance Co.** will form a joint venture in April with Paine Webber Group Inc. to sell mutual funds in Japan. The new company, Yasuda Paine Webber Mutual Fund Co., will be capitalized at 2 billion yen with Yasuda holding a 55 percent stake and Paine Webber the rest. The move is one of a number of alliances between Japanese financial services companies with foreign and domestic counterparts as the government deregulates the country's financial industry.

• **Hitachi Ltd.** named Etsuhiko Shoyama, 62, as president as of April 1, replacing Tsutomu Kanai, 69, who will become chairman. Mr. Shoyama is an executive vice president in charge of household electronics. In a change to Hitachi's management structure, Hiroshi Kuwahara, 63, an executive vice president, will assume the new position of vice chairman as of June 1, creating a triumvirate at Hitachi's helm. The moves are subject to shareholder approval.

• **Fuji Bank Ltd.** has provided 18.6 billion yen in assistance to a financial affiliate, Fuyo Sogo Kaishatsu KK. The bank said the aid would not affect earnings in the financial year ending March 31, because it had used part of its loan-loss reserves set aside in the 1997-98 financial year.

• **NKK Corp.** will take a loss of 13.1 billion yen from the sale of a semiconductor research center in Kanagawa Prefecture near Tokyo. The buyer, Canon Inc., plans to use the center for further expanding its research and development of semiconductor products.

• **Japan's Housing Loan Administration Corp.** and its Resolution & Collection Bank Ltd. — two semi-governmental bodies charged with cleaning up the banking system — will combine operations April 1. The new entity will be known as Resolution Trust Corp.

• **The Japan Securities Dealers Association** will fine Dresdner Kleinwort Benson Securities Co. 3 million yen for falsifying trading reports. Separately, the Tokyo Stock Exchange will impose a 2 million-yen fine on the firm in the same matter.

Bloomberg, Reuters

ECONOMY:  
Too Many Hands

Continued from Page 1

announced restructuring plans, it is unclear if these efforts will shrink overcapacity here.

For example, Nippon Oil Co. and Mitsubishi Oil Co. are merging to create Japan's largest oil company, although U.S.-style layoffs and plant closings are not expected. When Exxon and Mobil announced their intended merger, they included plans to cut 9,000 jobs.

But Japanese executives and government leaders remain paralyzed, apparently incapable of abandoning the strategies of the past, such as trying to stimulate economic activity by building unneeded bridges and repaving underused roads.

In Wakayama, for example, the nation's year-long recession is evident in the empty shops and pubs. "Even the bars are hurting. People don't drink as much," said Katsumi Ogawa, a 64-year-old taxi driver.

But city officials have only one plan on the drawing board — construction of a 6.9-mile (11-kilometer) bridge that would link Wakayama with Shikoku, a sparsely populated island, at a cost of more than \$4 billion.

It is unclear what kind of businesses might be lured to Wakayama as a result of the bridge. "Perhaps tourism?" one city official said.

Underlying Japan's economy is a colossal economic structure designed to supply the world. Its benefits and perils are well illustrated in the coastal city of Hitachi-town, home of Hitachi Ltd., the nation's largest maker of electronic equipment. The town's ops and docks have followed those of the global company, which has 975 subsidiaries that produce everything from automotive equipment, semiconductors, computers and other goods.

Hitachi has been a highly respected symbol of traditional Japan, embodying the culture of lifetime employment and export-led growth. So the recent announcement that it expected a loss of about \$2 billion in the year ending March 31 — its first annual loss in 48 years — shook the country and reverberated loudest in Hitachi-town.

The town's port bustles with huge cargo ships, loading and unloading supplies for the sprawling Hitachi plants there. About 80 percent of the 700 independent companies in town depend on work from Hitachi.

If Hitachi's business recovers, Hitachi-town probably will thrive again. But if the world no longer wants all those products, what will the town do? That's the question now facing all of Japan.

The nation has two choices. The first, advocated by many international economists, is to close unneeded factories, allow inefficient companies to go bankrupt, deregulate the economy, open its markets and hope that out of the ashes of this collapse will spring new business.

Nikkei Securities Co. estimates that Japanese companies have an excess of 2.5 million workers, so a crash could send unemployment surging to 7.9 percent. Many more banks would probably collapse, because most of the excess investment was funded by bank loans.

Economists say the crash could be followed by creation of new jobs for workers and capital are freed to flow to sectors where there is de-



A job placement office in Tokyo on Friday. Japan's unemployment rate rose to a record 4.4 percent in November.

mand. For example, Japan's birthrate is plunging, but its elderly population is growing. So, one economist said, resources should be flowing to the growing elderly market instead of into housing.

The second option is to use public funds to try to keep struggling companies and banks alive in the hope that robust global growth will revive Japan's export machine.

Tokyo seems to have chosen the second route. The government plans to spend \$495 billion to bail out its banks and is pressuring them to extend more loans to shaky construction firms, retailers and manufacturers. It is planning to spend \$196 billion for public works and tax cuts, to boost construction work and spur consumer spending.

The Bank of Japan also is buying commercial paper from companies that cannot get short-term loans from banks. The central bank now holds more than 40 percent of the commercial paper issued in Japan. The government-owned Japan De-

velopment Bank has been authorized to expand its lending activities as well.

Merrill Lynch & Co., in a recent report, has dubbed these efforts a "safety net for all companies." The fear among economists and investors is that it will create a welfare mentality among corporations, reducing incentives for them to take tough actions such as closing plants, slashing costs or cutting jobs.

The government, which has pursued this strategy for eight years, asserts that the economy has hit bottom and will begin growing next year. In contrast, the Japan Center for Economic Research predicts the economy will continue to contract through 2001 and then recover.

Economists warn that the government would have to increase the spending stimulus and tax cuts each year just to stand still. It is doubtful Japan can afford to do that, with the national and local government's debt now exceeding the nation's gross domestic product.

## JAPAN: No Economic Rebound in View

Continued from Page 1

rebound in production in December, it agreed with other forecasters that a recovery was out yet in sight.

"There still isn't enough data to indicate that the economy has hit bottom," the ministry said.

Meanwhile, the Trade Ministry also reported that sales at major department stores and supermarkets fell 1.5 percent in November from a year earlier, the seventh straight month of declines.

Also on Friday, the Japanese government approved a record budget of 81.86 trillion yen (\$705.84 billion) for the year to March 31, 2000, officials said.

The budget, adopted at a special

cabinet meeting and pending approval by Parliament, is up 5.4 percent from the initial outlay for the current fiscal year ending March 31, 1999. The government aims to haul Japan out of recession with the huge budget and achieve 0.5 percent growth in gross domestic product, although 37.9 percent of spending will be paid for by government debt.

This year the government has approved two stimulus packages worth a combined 40 trillion yen, and it has set up a fund of 60 trillion yen to deal with the banking crisis. The economy has contracted for four consecutive quarters through September, and Tokyo estimates the economy will shrink 2.2 percent in the year through March.

(AP, Bloomberg, AFP)

Chipmakers' Slump  
Hits Equipment Sales

Bloomberg News

**TOKYO** — Worldwide sales of equipment used to make microchips slumped 43 percent in October compared with the same month a year earlier, the sixth straight month of decline, as cuts in spending on equipment by Japanese and South Korean semiconductor makers took their toll, industry figures showed Friday.

The slump in Asia is hurting many of the world's largest producers of microchip-making equipment, such as Applied Materials Inc. and Lam Research Corp. of the United States. ASM Lithography Holding NV of the Netherlands and Tokyo Electron Ltd., Nikon Corp. and Advantest Corp. in Japan.

Worldwide sales of chipmaking equipment totaled \$1.491 billion in October, the Semiconductor Equipment Association of Japan said. Equipment orders, which trail sales by several months, fell in October for the 11th straight month.

The drop in sales reflects cuts in spending on equipment by Samsung Electronics Co., the world's largest maker of computer memory chips, and by Japan's six largest chip-

makers — NEC Corp., Toshiba Corp., Hitachi Ltd., Fujitsu Ltd.,

Mitsubishi Electric Corp. and Oki Electric Industry Co. — are cutting investment on their microchip businesses by a combined 44 percent in the year through March 1999.

Sales in the United States, the largest single market for such equipment with more than a third of sales worldwide, totaled \$531 million in October. Cumulative U.S. sales for the April-October period were 25 percent lower than the same period a year earlier. Sales had surged 39.4 percent in the year ended March 31.

Japan, the second-largest market for semiconductor-making equipment, had sales of \$297 million in October. Cumulative sales for April through October slumped 39.5 percent from a year earlier, reflecting cuts in spending on equipment by the Japanese chipmakers.

South Korea sales totaled \$110 million during the month, resulting in a cumulative tumble of 51.4 percent since April, a sign of the impact of the depreciation of the won, which has cast the economy into its worst recession in more than 50 years. Sales of chipmaking equipment in South Korea fell 15.8 percent in the year ended March 31, the largest decline of any market tracked by the association.

Miyazawa Places His Fate  
In Prime Minister's Hands

Bloomberg News

**TOKYO** — Finance Minister Kiichi Miyazawa, after indicating last month he would resign, said Friday it was up to Prime Minister Keizo Obuchi to decide whether he will continue in his post.

"The political situation has drastically changed" since Nov. 27, when he had first suggested he would resign, Mr. Miyazawa said. "Under the current situation it is difficult for me to behave as I would like."

Mr. Miyazawa said he met with Mr. Obuchi on Friday and asked him to decide the resignation issue. Mr. Obuchi has repeatedly said he wants Mr. Miyazawa to retain the post of finance chief.

Mr. Obuchi said he plans to form a new cabinet Jan. 6 and that he wants to make only a "minor change" in the ministerial lineup. Legislators in the governing Liberal Democratic Party have said that Mr. Obuchi intends to keep the incumbent members of key posts such as finance minister.

In November, Mr. Miyazawa, 79, caused a stir by saying he would soon resign as the leader of a major group in the LDP and that it would be "against philosophy" to remain in the cabinet after that.

Investors and analysts said Mr. Miyazawa's possible departure could spur political horse-trading within the party and hamper Mr. Obuchi's efforts to pull the world's second-largest economy out of its worst recession in five decades.

Since then, Mr. Miyazawa has tried to distance himself from talk of resignation, saying that his priority

is to help push the economy back onto the recovery track.

On Tuesday, Mr. Miyazawa passed the leadership of his faction in LDP to Koichi Kato, a former party secretary-general, whom Mr. Miyazawa has long viewed as his successor, according to Asahi News Service.

China Maps  
Telecom Split

Bloomberg News

**SHANGHAI** — China Telecom Group, which controls nearly all of the Chinese telecommunications industry, may be split into several companies in an attempt to encourage competition.

"By restructuring, we hope it will boost market competition," said Li Zhigang, an official at the Ministry of Information Industry, which controls China Telecom.

The spokesman said the ministry was studying a restructuring proposal that would have to be approved by the State Council. The ministry has outlined a few restructuring methods; the one most likely to be adopted would spin off the four core businesses of China Telecom — regular telephones, paging, mobile phones and satellite transmission — into four companies.

China Telecom expects revenue to top 200 billion yuan (\$24 billion) this year, up from 150 billion yuan in 1997. China United Telecommunications Corp., a rival, is forecast to take in 1 billion yuan this year.

## WORLD STOCK MARKETS

Friday, Dec. 25

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# MONEY

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## Picking Your Way Through a World of Investment Possibilities

**EUROPE**  
Roger Guy, manager of the Gartmore European Selected Opportunities Fund and Gartmore Continental Europe Fund, Telecommunications is Mr. Guy's favorite industry, and Telecom Italia S.A. is his favorite company in the sector, in part because some recent problems have brought its share price down to an irresistible level.

"We feel this company is by far the cheapest European telecom and we like the telecom industry," Mr. Guy said. Telecom Italia "has performed very badly this year because it had a lot of management problems, but it has new management."

"We believe that it has had a lot of negative sentiment, and that next year should be a much better year," he added. "It has strong fundamentals going its way and offers tremendous value."

Hans Huff, an analyst with Bankgesellschaft Berlin who specializes in software companies, Mr. Huff recommended the German software giant SAP AG. The company's preferred stock, which is included in the German DAX index, has lost almost half of its value since peaking at 1,325 Deutsche marks (\$790) in July. It now trades at 785 DM.

"The stock was affected by the decline in the general market triggered by concerns about the economic crisis in Asia and the weak dollar," Mr. Huff said. "There are also uncertain expectations about the future of enterprise resource planning software like R/3, which is the company's main product."

He said he expected sales growth to slow to 31 percent in 1999, from 46 percent this year, as the company's large customers complete their preparations for the introduction of the single European currency and for the year-2000 problem, resulting in a declining effect on sales.

Still, Mr. Huff considers the stock attractive at its current level. "Demand for process-optimizing software will pick up after the Y2K and euro issues have been addressed," he said. "In addition, the company is focusing on offering new software solutions for customer relationship and supply chain management and for electronic commerce, products which could gain a share of 25 percent of the company's total sales in five years."

What he finds especially appealing is the large number of customers — more than 9,000 — and the increased profit margin that can be achieved with these products in a relatively young market. "I expect the stock to trade at 900 to 1,000 DM by the end of next year," he said.

Judith Mackenzie, a broker at the Glasgow-based Bell, Lawrie, White & Co., Silicon Glen in Scotland has produced its fair share of successful technology stocks in recent years, according to Ms. Mackenzie, who said that Memory Corp. was a company to watch in 1999.

Memory Corp. designs application-specific integrated circuits, computer chips that perform specific tasks, unlike the more wide-ranging integrated processors such as Intel Corp.'s Pentiums. It also licenses intellectual property to other semiconductor manufacturers. It has been in the news recently because of its move from the British small-company Alternative Investments Market to Easdaq, the pan-European system.

"The move came about because Memory Corp.'s management felt that the company's interests were not being well served by the British market," Ms. Mackenzie said. "Although memory Corp. has a dismal track record, which has not been helped by the difficult climate for technology stocks in Scotland during 1998, its future looks bright."

"A new management team was installed about a year ago, and it has pursued a very aggressive and successful sales policy," she added. "Memory Corp. now has important links with computer manufacturers in Europe and the United States, and it looks like the company might just be in profit for the first time ever at the start of 1999."

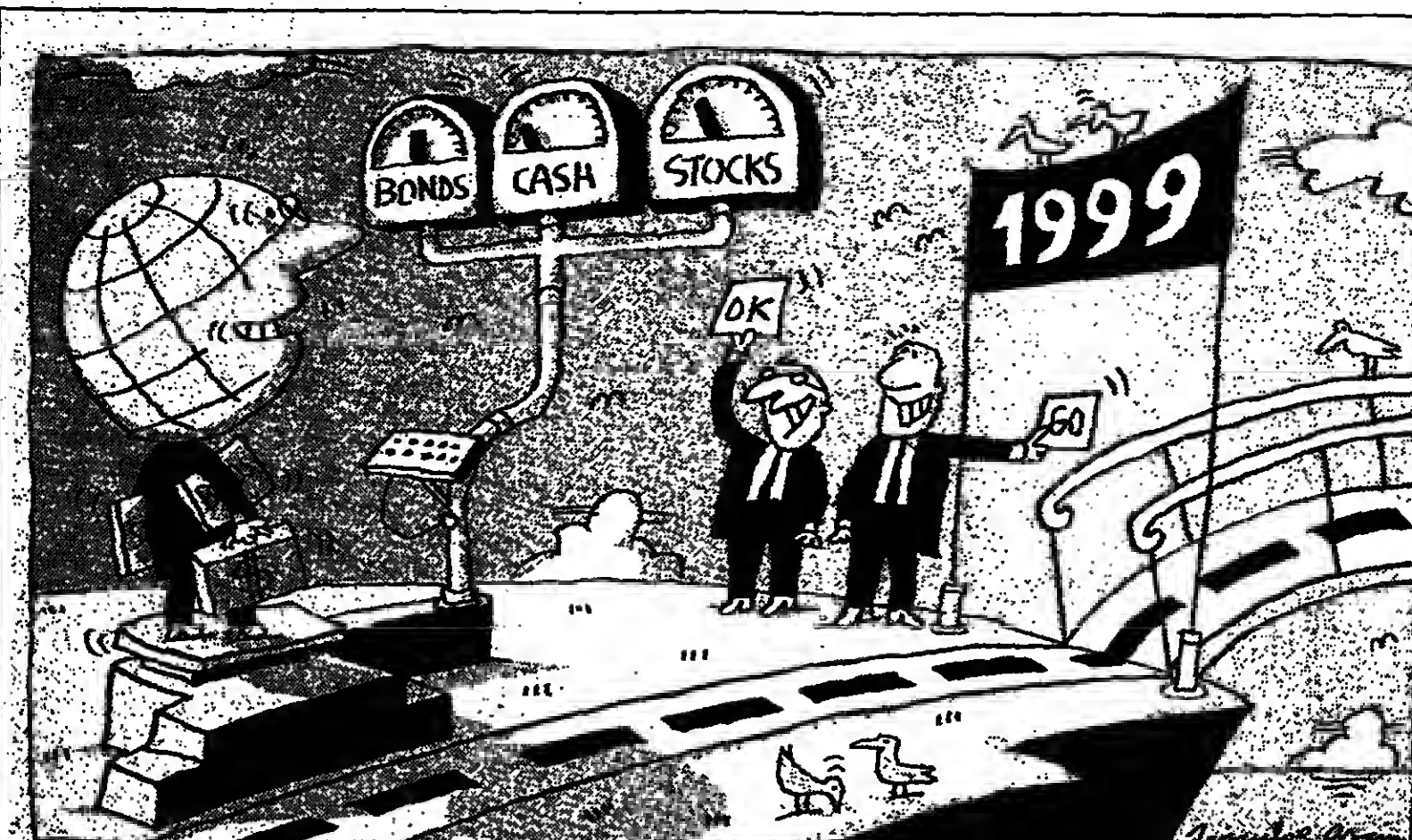
Roger Monson, head of equity strategy at Rabobank International, Mr. Monson likes the Finnish paper company Metsa-Serla (MYS). Its B shares are priced at less than six times current earnings and, with a yield of 4.3 percent, it provides more income than European government bonds. (A 10-year Finnish issue, for example, offers just 4.1 percent.)

The stock has been depressed by weakness in paper prices, part of the worldwide trend of commodity deflation. It recently traded near the lower end of its range for the past year, "so it has hardly participated in the market rallies — so far," Mr. Monson said.

"Sentiment may turn up by mid-1999 on either an improved supply-demand picture, merger and acquisition talk, or both," he said. "The shares might also benefit from 'the outside chance of a bottoming in the Russian situation.'"

Metsa-Serla has large interests in forests in northwestern Russia.

If funds do not appeal, Mr. Monson suggested Bulgaria's stock market. "This market is barely trading, but reform policies have been pursued consistently by the post-crisis government, the currency has been pegged to the Deutsche mark, inflation is down to almost German levels, and foreign direct investment is flowing in," he said.



## As Old Year Becomes New, Global Caution Lingers

By Mitchell Martin

**T**HE END OF a year is an arbitrary affair. By New Year's Eve, the winter solstice will have been history for more than a week, so the holiday is not astronomically correct. Some of our readers live in countries that celebrate their New Year in February, when the Year of the Rabbit begins; others must wait until April for the dawn of year 1420 in the Islamic calendar. Still others celebrated the Hindu New Year in October, while another group marked the start of the Jewish year of 5759 in September.

The beginning of 1999 nonetheless has real-world effects if only because so many people accept it as a milestone. For investors, tax periods close and open, many companies begin new annual ledgers, and year-to-date financial return calculations are reset. So this week, The Money Report offers its annual compendium of analysts' picks for the coming 12 months. We asked some of our favorite strategists and economists for their advice on fruitful investments for the coming year, and their ideas are presented outside of this box.

For 1999, more than the usual caveats apply. It is difficult enough to forecast the financial future at the best of times, and if there is any consensus among the economic prognosticators, it is that there are not the best of times. Buyers of U.S. and most West European blue-chip stocks have seen double-digit returns for the past four years, but Japan's Nikkei-225 index has fallen 20 percent over that period and 35 percent in dollar terms.

An investor who bought the closed-end Asia Tigers Fund on the eve of 1995 would be sitting on a loss of more than 27 percent of capital, even after dividends are taken into account.

That New York Stock Exchange-listed fund invests in stocks from countries such as China, Hong Kong, India, Indonesia, Pakistan, Singapore, South Korea, Sri Lanka, Taiwan and Thailand.

Therein lies much of the problem. Investments in projects that were largely uneconomical caused a financial crisis that began in Thailand during the summer of 1997, spread through much of Asia in the months that followed, and then exerted its effects this

year on developing markets from Russia to Brazil. As the crisis grew, it fed on itself. As questions arose about the viability of investments, capital flows dried up. Companies that might have resolved their problems with some short-term cash found that none was available, leading to new failures and further reducing investment flows.

This crisis continues to weigh on the world economy. Global growth for next year is expected to be 2.2 percent, the International Monetary Fund forecast this week. In 1997, global growth was 4.2 percent.

One problem with asking for advice for stock analysts is that they tend to be optimistic about the companies they cover. For the United States in 1999, for example, these bottom-up analysts expect earnings of the companies that form the Standard & Poor's 500-stock index to rise on the order of 19 percent, while analysts who look from the top down, measuring economic growth and then extrapolating corporate profits, see a gain about 4 percent.

Looking back in a year, you might expect the result to be somewhere in between, but for 1999, the up-down analysis could be a lot closer. The IMF's growth forecast for the U.S. economy is just 1.8 percent.

Stock prices can rise faster than economies grow, as evidenced by the results on Wall Street in the past four years, but the mathematics do not support the idea of 19 percent annual rises based on 2 percent growth for an extended period. (James K. Glassman's bullish view, Page 15.)

To provide a balance to the stock picks, The Money Report checked with two global economists, who were cautious about the world's economy as 1999 begins. "It is not healthy," said Chris Iggo, chief international economist at Barclays Capital, "mostly because there has been a huge loss of wealth and income in Asia, and that has affected the demand for goods and services for the rest of the economy. It has affected prices in the rest of the global economy, which makes it difficult for certain firms to make profits."

Europe has been "struggling" to achieve annual growth of 2 percent for most of the 1990s, Mr. Iggo said, citing the well-known structural problems in countries that make it hard to fire unneeded employees and for workers to move from one region to another. The currency union that begins next week will go a long way to helping unsmile the European economy, Mr. Iggo said, but it will not lift growth in the big countries beyond 2 percent; he sees overall growth in the euro-zone at 1.5 percent next year.

Paradoxically, the restructuring of the economy could lead European stocks to outperform their Wall Street brethren, Mr. Iggo said, and the single currency could add half a percentage point to the Continent's economic growth in coming years.

But with an outlook that calls for "continuation of

low inflation and the risks for deflation in some parts of the world economy," you might want to consider the safety of the high-rate, fixed-income markets for at least some of your investments.

Or, as Ian Harwood, head of economics and strategy at Dresdner Kleinwort Benson put it, "bonds look better." Mr. Harwood said "the Asia shock has yet to fully run its course," and that will make it hard for corporate profits to rise. "Growth is an increasingly scarce commodity," he said.

Dresdner is advising clients with balanced portfolios to put only 30 percent of their assets in stocks right now, suggesting half their assets belong in bonds and the remaining 20 percent in cash.

For the stock portion, Mr. Harwood likes what he calls the euro-bubble: stocks in the relatively robust economies of Ireland, Italy, Portugal and Spain that are not exposed to foreign problems. Look for them in such industries as hotels, construction and retailers.

Dresdner is also favorably inclined toward British stocks, which already are benefiting from restructuring in previous years.

Mr. Harwood and Mr. Iggo agreed that it has been U.S. consumers who have been keeping the world economy growing this year.

Indeed, these are good times for the United States, which has been able to import manufactured goods, mostly from Asia, and also to keep its own companies afloat with economic growth of about 3.6 percent this year, by the IMF's forecast.

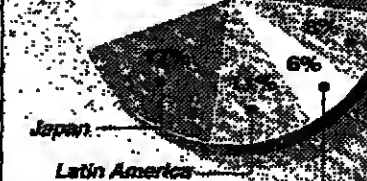
But it would be folly to count on U.S. consumers to provide all of the world's economic growth every year, and Mr. Harwood's forecast of a rising jobless American jobless rate next year — he sees it above 5 percent next year, up from 4.4 percent now — shows why a slowdown might come.

Even if world economic growth were to turn negative, a remote possibility, there would still be stocks that produced good, even great returns next year.

So the sensible proposition that investors should commit significant resources to equities should not be ignored when setting priorities for 1999, but unless you strenuously disagree with the idea that world economic growth will be slow this year, this might be a good time to allocate some assets to bonds or cash and to repaying any debts you have.

If things look like they will pick up, there are several other New Year's Eves you could use to switch back into equities.

Contributions To Global Economy



Source: Merrill Lynch & Co.

cause they'll get the digital effect."

Earnings of European phone companies are growing 5 percent a year on average, he noted, and their stocks trade at eight times cash flow, which is earnings before interest, taxes and depreciation. OTE's shares, which are listed in New York as well as Athens, trade at five times cash flow, and Mr. Smith foresees OTE's earnings growing 15 percent a year, so investors get faster growth at a cheaper price than they would for other European telephone companies. If OTE trades at the same multiple of cash flow as its counterparts in Europe, the stock will rise 60 percent.

**AMERICAS**  
Alan Ackerman, executive vice president of Falmestock & Co.,

Regardless of the recent U.S. political turmoil, Mr. Ackerman predicted that the American economy would remain robust, and he likes some of the most well-known names on Wall Street. "Several stocks continue to be attractive as long-term holds," he said. "They have done well and they continue to survive through the most confusing of markets." Among these are such bellwethers as General Electric Co., International Business Machines Corp. and Intel Corp.

To that list, Mr. Ackerman said, "We could add Bristol-Myers Squibb Co." Several other candidates "appear attractive for the intermediate term," such as Home Depot Inc. "Home Depot is likely to surpass fourth quarter earnings projections, hence it is a candidate for a relatively strong perfor-

mance in the first half of 1999 and the company is benefiting from low interest rates as well," he said.

Carlos Bachrach, manager of the Pareto Latin America Fund, Mr. Bachrach speculates that Venezuela's new president, Hugo Chavez, 44, may prove to be better news for the country's troubled economy than many investors had expected. "Once he gets the keys to the palace and walks in to take a look at the accounts, he may realize that his promises are not feasible," Mr. Bachrach said. Indeed, there are signs that the president-elect is already having second thoughts, he added. "His speeches have been far more subdued since he was elected," Mr. Bachrach said. "In fact, they have even been positive: welcoming foreign investors, for example. He is basically saying that he will play by the rules, and that's what the market wants to hear."

Fears that the new government would restructure or maybe even renounce on some of Venezuela's \$21 billion foreign debt, devalue the currency and impose strict exchange controls scared off foreign investors and many local ones in the run-up to the Dec. 6 election. Campaign promises by the former army colonel to consider rewriting the constitution and possibly dissolving Congress only exacerbated the situation. Now, however, rich Venezuelans and some foreign investors are returning, Mr. Bachrach said. Some are even comparing Mr. Chavez with Argentina's Carlos Menem as a potentially powerful

ics components for computers.

"Other areas we like are Canadian financial services, especially the strong players like the Royal Bank of Canada, and the Bank of Montreal," Mr. Best said. "They are well off their highs but very good value, and they have been stalwarts in the Canadian market. The one we like best is National Bank of Canada, based in Quebec. It's a top-ranked bank, it has less foreign debt exposure, and is less vulnerable to competition because it works in French. Another favorite is the Bank of Nova Scotia, which has fully discounted its international loan exposure. Of the Big Five banks, it is the best value."

"Many Canadian stocks trade in the U.S., and for a company in the same industry, a Canadian company is almost inevitably going to be cheaper," he added.

David Chon, Latin America strategist, Bear Stearns & Co. Mr. Chon thinks the year 2000 "will be great" for emerging markets. "We just need to get there," he said.

The road will be bumpy, he predicted, especially in the first half of 1999, with volatile markets trying to assess the extent of global deflation. "In the second half," he said, "most countries should have seen the bottom of the business cycle, sentiment should improve and volatility decline. Only when outside volatility dies down will Latin America find some direction."

"But if you want to be in Latin America, my country pick is Brazil," Mr. Chon added. "It is the riskiest market, or one of the riskiest, so the potential upside is greater. I do think the issue of a currency devaluation versus no devaluation will continue to plague Brazil, and create volatility, but countries want to do what is best for their own people, and it looks like they're opting for a recession rather than a devaluation."

For equity exposure in Brazil, one has to go to telecoms, electric utilities and petroleum, and given the volatility, bigger is better.

"The more liquid oases in telecoms are Tele Norte Leste SA, the telecommunications company for the Amazon and Eastern regions of Brazil, and Telesp Participacoes SA, the telephone company for Sao Paulo," he said. For utilities, Mr. Chon suggested Companhia Energetica de Minas Gerais SA, known as CEMIG, and Companhia Paranaense de Energia-Copel. For petroleum, Petrobras Brasileiro SA, or Petrobras, is the choice.

**Independent Economic Analysts (Holdings) Ltd.**

I.D.E.A. thinks there is a 50 to 60 percent chance that Brazil will devalue its real next year.

"The numbers tell their own story," the group said. "Over \$2 billion net has already left Brazil this month, and analysts are predicting the amount could rise above \$5 billion. Compare that with the \$2 billion exiting in November, a month of relative calm, and the conclusion is clear: Hard currency is leaving the country, and fast."

Brazil has about \$44 billion in dollar reserves, giving it the ability to defend the real for some time. The currency is already allowed to depreciate 7 percent a year against the dollar. A looming question is whether Congress will pass a tax-raising measure on Jan. 4. If Brazil wants to keep tapping into \$41.5 billion of loans arranged by the International Monetary Fund, it has to cut its deficit.

The central bank has been trying to stem capital flight by keeping interest rates "staggeringly high." Consumer rates are running around 150 percent.

This keeps the value of the real high and makes it hard for exporters to compete. "Devaluing the real," I.D.E.A. said, "could be the Brazilian economy's only hope."

Charles Henderson, chief investment officer of Chicago Trust Co.

Mr. Henderson wondered two months ago if there would be any earnings growth for S&P 500 companies in 1999. Now he expects a "slow but sure" 5 percent. "Let's face it, the U.S. economy is very vital, and domestic consumption numbers are overshadowing global problems."

Mr. Henderson is especially keen on technology, saying it would "continue to be a leader."

Among the "pure-tech" companies, Chicago Trust owns Cisco Systems Inc., EMC Corp. and Microsoft Corp., he said. A new "backdoor" play on technology is Paychex Inc., a payroll outsourcing company.

He favors Tellabs Inc., which is in the rapidly growing fiber-optic field. Unlike its rivals, Tellabs' share price has not gone through the roof, mostly because of investor confusion over its abandoned takeover bid for Ciena Corp.

"I also like Ecobat Inc., a leading supplier of machinery and detergent for dishwashing machines in hospitals and restaurants with very steady, predictable earnings," he added. "It may only grow 10 to 12 percent a year, but if they do that in 1999, they will be a star in comparison to the others."

David Tice, manager of the Prudent Bear Fund, which bets that share prices will fall by selling stock short.

Mr. Tice is bullish on one of Wall Street's darlings, Intel Corp. "Intel is a monopolist whose monopoly has ended," he said.

"The company is already facing declin-

Continued on Page 14







## THE MONEY REPORT

## A World of Investing Choices

Continued from Page 14

though he warned that prices could be under pressure for the first few months of the year. He especially likes South Korea and Thailand but recommended avoiding Hong Kong because of major developing instabilities. "The dilemma in Hong Kong is maintaining the currency pact, keeping the interest rate at the U.S. level, even though the economy is contracting at 7 percent a year," he said.

"So I think probably they will either have to break the currency pact or the asset market has to deflate. That's the typical phenomenon of devaluation or deflation. There is no other way."

That dovish view extends to the mainland. Mr. Chen said there would be no opportunities for domestic or foreign investors in China. "The Chinese have already slashed rates massively this year in the hopes of stimulating investment," he said. "However, if you have overcapacity, that won't stimulate investment, so you can see there is some form of liquidity trap developing there. Bond yields are already below 3 percent. The deposit rate is below 4 percent, yet people are not consuming. So I would say probably in the next one or two quarters the economy might spike up a little bit and then afterwards it's going to be fading away. We're talking about probably 6 percent growth in the next year."

## WORLDWIDE

**Geoffrey Dennis, emerging markets strategist, Deutsche Bank Securities.**

Mr. Dennis is trending cautiously in the battered emerging markets, given his predictions of a slowing global economy and weak commodity prices, a major source of exports and hard currency for undeveloped countries.

"We think the region under the most pressure will be Latin America, where Brazil is 45 percent of the market capitalization," he said. "We don't think Brazil will devalue its currency, but we won't rule it out entirely. But we believe they will have to keep rates high in order to attract capital to protect their currency, so they will have a weak economy. So for the first half of the year, the single most important country will be Brazil, and it will be a drag on other emerging countries."

In Asia, which has seen a recovery this autumn, "we missed the recent rally, but we think the fundamentals are

still not good," Mr. Dennis said. "All that's happening is that rates are coming down. It's more that demand for money has collapsed. But Asia has passed the bottom. Even if you get another pull-back, it won't go to a new low."

"Our preferred markets are in emerging Europe," he said, calling Greece "a great convergence story," as it prepares to join the European monetary union in 2001 or 2002.

**Robert Friedman, chief investment officer for Franklin Mutual Series funds.**

Value investors were manhandled by the U.S. market last year, but Mr. Friedman, chief investment officer for Franklin Mutual Series funds, the American money managers known for their astute value investing, is persevering.

"The top decile in the S&P 500 is trading at big multiples, well over 40," he said. "People can rationalize that, but the price is higher volatility and ignoring some of the values in mid-cap companies in Europe."

In the United States, he favors companies whose share prices have fallen back after temporary earnings disappointments. Among them are Lear Corp., an auto-parts maker, trading around \$37 but capable of being a \$56 stock, in his view. Two other picks are Owens-Illinois Inc. and American Standard Co., which makes plumbing fixtures, both trading at low price-to-earnings ratios of around 12.

Mr. Friedman is doing some serious bottom-fishing in an unusual pond: small companies in Britain's manufacturing sector. These companies were hurt when the strong pound made their products and services too expensive for many of their foreign customers. But now that the pound has weakened, Mr. Friedman is betting better times are ahead.

Among his favorites are FKI PLC, a company that does material handling and makes hardware. Another is Charter PLC, which has an 11 percent dividend after its share price plummeted this year. "But we're not buying it for the dividend," Mr. Friedman cautioned. "We're buying it for a rebound in its welding business."

—Conrad de Azeite, Bernd Haenze, Mitchell Martin, Alexa Olsen, Judith Rehak, Philip Segal, Aline Sullivan, Barbara Wall.

## Good Tidings From the Golden Quadrennium

**B**UCKING DIRE PREDICTIONS about the effects of impeachment, declining earnings and sky-high price-to-earnings ratios, the U.S. stock market has risen for the past six sessions in a row and could return more than 30 percent in 1999. In fact, the four years that come to a close Thursday may be the best in history.

A good question is: Why? Throughout this bull market, naysayers have fretted about lofty valuations, but stocks have simply climbed higher. Today, for example, the P/E ratio of the Standard & Poor's 500-stock index, the best proxy for the broad market, is an astronomical 32, compared with an average of 19 over the past 12 years.

Could it be that prominent pessimists — such as Robert Shiller of Yale and John Campbell of Harvard, who said two years ago (with the Dow at 6,382) that stocks were at unsustainable heights, and the Economist magazine, which seems almost to be cheering for a crash — are drawing conclusions from an antiquated model of the market? It seems so.

With a colleague, the economist Kevin Hassett of the American Enterprise Institute, I have been working for the past year on a book that offers an explanation for the fabulous returns of recent years. We argue that stocks are moving now to correct a state of chronic undervaluation and that this strong upward trend will continue.

Our analysis is pretty technical, but it begins with a fact that economists have known for years: Over the long term, stocks are no more risky than bonds. Stocks and bonds should logically provide roughly the same returns, but stocks return far more — an average of 11 percent a year, compared with just 5 percent for bonds.

We think that stock prices will rise sharply and that this "equity premium," as it is called, will narrow. Eventually, stocks and bonds will return the same. In the meantime, what does that mean? Incredibly, our analysis shows that P/E ratios of 50 to 100 are easily justified.

We presented our theory, in nascent form, in *The Wall Street Journal* early this year, and it elicited a barrage of criticism from the financial establishment. But the course of 1998 has only reinforced our contention.

Being open-minded, however, we stand ready to hear any other explanation for the incredible performance of the Golden Quadrennium — or, for that matter, for the performance of the past 18 years, during which the Dow Jones industrial average has risen from 760 to 9,218.

One possible venue of enlightenment is the Times Square office of Byron R. Wien, the thoughtful Mor-

gan Stanley Dean Winter strategist. Mr. Wien predicted a year ago that stock-market bulls would "become euphoric as Asia stabilizes and the Dow Jones roars to 9,000 in the spring, but bears have their day when the index drops to 7,000 later in the year."

Nice prognostication. The Dow peaked at 9,338 in July, then fell to 7,539 at the end of August. The part Mr. Wien missed was that it quickly bounced back above the July high.

When I asked him why stocks have done so well lately, he answered that "America is back on top" in a world economy driven by technological innovation, and investors have become "believers in equities."

Both propositions, of course, are true. In addition,

## JAMES K. GLASSMAN ON INVESTING

inflation appears licked, he said, and people "have seen a lot of calamities come and go" without serious consequences, reinforcing their optimism and lessening their aversion to risk.

"The bad things don't hurt us, and the good things are coming," Mr. Wien said, summing up the attitude of investors. "If that is your credo, then you will 'buy the dips' — purchase shares when prices fall. 'Professionals say, 'Isn't that stupid!' But people who have bought all the dips have done better than the pros," Mr. Wien said.

Yes, unlike the hedge-fund geniuses, the little folks buy when prices fall. Good idea. Less than four months ago, the market was showing a loss for the year, but, when the traders happily left the floor Christmas Eve for the suburbs of New Jersey and Connecticut, the S&P was showing a 1998 return of 28 percent; the narrower Dow, 19 percent.

**U**NLESS THERE is a calamity in the next four days, the S&P in 1998 will complete the first stretch in history in which shares have gained more than 20 percent four years in a row. (In fact, until 1997, shares had never done this for three years in a row.)

Assuming no change by Dec. 31, I calculate that an investment in the S&P at the start of 1995 would have grown 189 percent. That is the second-best four years since 1926, when Ibbotson Associates of Chicago began keeping detailed records.

The best quadrennium of all occurred from 1933 to 1936, when the market returned 206 percent. But that period was simply a rebound from the horrendous four straight years of losses that preceded it: From 1929 to 1932, stocks fell 72 percent.

These four golden years have been different. For

one thing, they follow four years of gains. In fact, the S&P has shown losses in only two of the past 21 years, and both of those declines were small (5 percent in 1981 and 3 percent in 1990, both recession years).

For another, the Golden Four have been incredibly consistent. Between the worst year and the best, returns varied by only 14 percentage points. During the 1933-36 period, the gap was 55 percentage points. Compared with market tradition, the past four years have produced little volatility.

Mr. Wien and his fellow Morgan Stanley analyst Peter Canelo recently predicted that the market would climb 10 percent and "exceed Dow Jones 10,000 by year-end 1999, the fifth year of double-digit increases." Such a streak, by the way, would also be unprecedented.

But their colleague Barton Biggs, the firm's top global strategist, disagrees. "I am still bearish," he writes. "Lower interest rates and excess liquidity will not solve the world's principal problem, which is that the investment hinge has led to overcapacity of almost everything... Unless the laws of nature have been repealed, but still follows boom, and bear markets follow bull markets."

Mr. Hassett and I are not saying that stocks can't go down. Of course they can. We could certainly have a losing year in 1999 if investors panic at, say, a blip in inflation or corporate profits that fall far short of expectations. Our point is that stocks right now are cheaper than they should be and they will rise, within a relatively short time, to a rational level, continuing their advance of the Golden Quadrennium.

But whether you believe in P/E's of 50 or not, the case for stocks remains what it has always been: a history of returns that far exceed any other financial investment, as long as you keep your holdings for the long term — at least seven years, or, better, 10 or more.

What should you own? Mr. Wien's own list of "fresh money buys" is a good place to start: American Home Products Corp., health care and agriculture; AMR Corp., parent of American Airlines Inc.; Citigroup Inc., financial services; Diamond Offshore Drilling Inc., oil drilling, at a P/E of 8; ITC DeltaCom Inc., long-distance services for businesses; Jacob Communications Inc., radio stations; Nordstrom Inc., retailer, and Warner-Lambert Co., pharmaceuticals.

If you would rather not dither over individual stocks, get invested quickly in good mutual funds.

But get started now. It is impossible to say whether 1999 will be the fifth straight year with 20-percent-plus returns. But I would not bet against it.

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## WORLD ROUNDUP

### Baseball To Fine One of Its Officials

**BASEBALL** Major League Baseball has decided to fine its chief operating officer over a deal he made as president of the Toronto Blue Jays, a baseball lawyer said Thursday.

Paul Beeston and the Blue Jays would be fined for entering into an agreement when they signed Roger Clemens two years ago that they kept secret by not submitting it to the American League as part of the contract. The Blue Jays could also be fined for giving teams permission to speak to the pitcher.

Gord Ash, the Blue Jays general manager, declined to acknowledge the existence of the written, unsubmitted agreement, but he did say, Thursday, "We did not follow the letter of the law."

It had been thought that Beeston had given Clemens only an oral commitment that the team would trade him if the Blue Jays were not going to be contenders. But the existence of the written agreement emerged after Clemens asked for a trade a few weeks ago. (NYT)

### Tackle Gets \$15 Million

**FOOTBALL** Earl Dotson, a right tackle with the Green Bay Packers, signed a four-year contract extension worth nearly \$15 million Wednesday. Financial terms were not disclosed, but a source said the extension is worth between \$14.5 million and \$15 million and includes a signing bonus of approximately \$4 million.

Jude Waddy, a Packers linebacker, has been suspended four games by the NFL for steroid use. The rookie had one sack in 13 games while playing primarily on special teams. Waddy, 23, signed with the Packers as an undrafted free agent in April. (AP)

### Marshall Hits Louisville

**COLLEGE FOOTBALL** Chad Pennington, the Marshall quarterback, threw four touchdown passes as the Thundering Herd beat Louisville, 48-29, in the Motor City Bowl, in Pontiac, Michigan on Wednesday. The Cardinals went into the game with the No. 1 scoring offense in the college football, averaging 40.4 points. Their quarterback, Chris Rodman, completed 35 of 54 passes for 336 yards and one touchdown, with one interception. Pennington completed 18 of 24 passes for 411 yards for Marshall, the Mid-American Conference champion. (AP)

### Christmas in Jail

**SOCCER** Djibril Diawara, a defender with Monaco, spent Christmas Day in jail after he was arrested early Friday morning following a riot that left five policemen injured. Diawara had been fined 10,000 francs (\$1,500) in November for assaulting a policeman after he was fined for driving without his seat belt on. On Friday, he was arrested along with four others after a fracas outside a nightclub in Le Havre. Diawara, 24, played for Le Havre until last year. He will appear before local magistrates Saturday. German media reported Friday that Tottenham Hotspur of the English Premier League had agreed to pay Borussia Dortmund £750,000 (£1.1 million) for Steffen Freund, 28, a midfielder who has played 21 times for Germany. (AFP)

### Swazi Christmas Bonus

**SOCCER** Police in the African kingdom of Swaziland face a salary deduction to subsidize their soccer team participation in an African club competition next year. Officials said Thursday that each of the country's 2,500 policemen are to have 50 elangeni (about \$9) deducted from their next pay packets to finance the police team. Royal Leopards, in the Confederation of African Football Cup, (Reuters)

## Vikings' Randy Moss Goes Deep Into the Record Book

By Mike Freeman  
New York Times Service

**MINNEAPOLIS** — The play is called "dot left slot bound right divide" and it is not your ordinary football play.

That's because it is often called by the Minnesota Vikings for Randy Moss, who is not your ordinary football player.

The play is a deep route for Moss, a wide receiver, and no one runs them like he can. He causes more jaws to drop per catch than any other receiver in football today.

Thanks to that play, his 4.3-second speed in the 40-yard dash, a vertical leap of more than 40 inches (100 centimeters), great hands and football smarts that nicely complement his physical skills, Moss is a formidable offensive weapon, and the sensation of this year's National Football League rookie class.

"We were already good on offense, but he took us to another level," said coach Dennis Green, whose Vikings are 14-1 heading into Saturday's game against the Tennessee Oilers. "He's made us explosive early, and that takes a team out of its game. They have to chase us, play catch-up, then our defense gets into it."

Green added: "I can't think of the last player who has brought as much excitement to the NFL as a rookie as Randy has. Not only is he a great athlete, he's a great competitor. He believes he can lead us to not only one Super Bowl, but a couple of them. How many rookies have that kind of confidence?"

Compare Moss, who has 64 receptions, to any of the great receivers in their rookie seasons: Jerry Rice, Lance Alworth, Fred Biletnikoff, Charlie Joiner, Michael Irvin, Herman Moore, Art Monk, Chris Carter, Andre Rison, Steve Largent. None had 16 touchdown catches in their rookie seasons, as Moss does. None had 10 touchdown catches of at least 40 yards, tying Elroy Hirsch's record set in 1951, as Moss has accomplished.

None was close to Moss in receiving yards. With 1,281 yards, Moss needs 193 Saturday to break the rookie record for receiving yards, set in 1960 by Bill Groman of the Houston Oilers.

After the Vikings crushed Jacksonville last Sunday, 50-10, to claim home-field advantage throughout the playoffs, Moss was asked if he is unstoppable.

"I don't know about that," he said. "I just know that when our offense is clicking, I feel like it's hard to cover me. It's very hard to cover me."

What that deep route for Moss boils down to, minus the football jargon, is quarterback Randall Cunningham using a play-action fake to the running back, usually Robert Smith, and then throwing the ball to Moss, who runs as fast as he can, as far as he can, stretching the defense like a rubber band.

Double-team him, as Green Bay tried unsuccessfully earlier this season, and he will still outleap the players to make the catch.

Single cover him? Don't even think about it.

"Every now and then, when we run that play in practice, I just watch it and enjoy it," Cunningham said, "and I know when we run it in a game, most of the time it's going for a touchdown."

Moss's abilities, a great coaching job by Green and his staff, and depth have made the Vikings the most powerful offense in football.

Minnesota has scored a league-high 530 points, and if the Vikings score 12 against Tennessee, a virtual certainty, they will break the single-season scoring record of 541 points set by the 1983 Washington Redskins.

The Vikings have scored more points in their last four games — 50, 38, 48 and 46 for a total of 182 — than any other team in a four-game stretch in league

history. Moss is a big reason why. But how has Moss, the 21st overall pick in last year's draft from Marshall University, turned the NFL into his personal record book? Especially considering the skepticism that surrounded him before the draft because of his legal problems in high school and college?

First, it's as simple as talent and size. Moss is 6 feet 4 inches (1 meter 93) and is often covered by defensive backs who are four, five and even six inches shorter than he is. As Green pointed out, there is usually a man in Moss's face when the ball is thrown deep, and Moss just out-jumps the defender trying to stick with him. Or Cunningham will throw the ball short, and Moss will still snag the catch because he is great at making midair adjustments.

Second, Green and the Vikings' offensive coordinator, Brian Billick, have opened up the playbook. In the past two years, the Vikings used more conservative formations featuring two backs and two tight ends. Now, with Moss, they often go to three and four wide receivers because of the depth at the position with the veterans Carter and Jake Reed.

Third, Moss's physical skills disguises the fact that he is becoming a savvy professional. During a recent

practice, Moss corrected a mistake made by the sixth-year wide receiver Chris Walsh, who was running a route in the wrong direction. Billick said Moss's football maturity goes beyond his years.

"I feel good about this season," Moss said. "I feel good about what I've been able to accomplish. I'll be honest — I thought I could have this kind of impact."

Carter, a mentor to Moss, was asked what about Moss has amazed him. "I haven't been necessarily amazed," Carter said, "because I knew he would have a tremendous impact in the NFL, not only talent-wise, but because of the system we run. He would not have had the kind of year he has had in, say, New Orleans."

"Other teams don't have the kind of talent we have, or a great offensive system," he said.

The team that faces Minnesota in the playoffs will know that at some point "dot left slot bound right divide" is coming. Knowing it is one thing, stopping it, and Moss, is another.

Teams try these intricate ways to slow Randy and our offense," Cunningham said, "but I guess you could say what they've tried hasn't worked very well."

## Vikings Need 12 Points; They'll Get Many More

By Mike Freeman  
New York Times Service

**Vikings (14-1) at Oilers (8-7)** The Oilers are out of the playoffs, so they will be playing for the other "p" — pride. Minnesota has the home-field advantage throughout the playoffs and is playing for another "p" word — points.

Before the Vikings sail into the post-season, they would like to make NFL history. Just 12 more points and the

### NFL MATCHUPS

Vikings will break the scoring record of 541 set by the 1983 Washington Redskins. Prediction: Vikings, 35-24.

**Chiefs (8-8) at Raiders (8-7)** The Chiefs have had a terrible year, and now comes the inevitable talk of what changes will be made. The Raiders were never expected to make the playoffs this year, so they will be more relaxed. Raiders, 24-17.

**Bills (9-6) at Saints (8-8)** The Jets developed the blueprint for stopping Bills quarterback Doug Flutie: Flood the field with defensive backs and blitz him so he stays pinned in the pocket. No doubt that Zaven Yarbhan, the Saints' defensive coordinator, will try something similar. But over all, New Orleans does not have the talent the Jets do. Bills, 32-20.

**Panthers (3-12) at Colts (3-12)** Carolina is in disarray. The coach, Dom Capers, will probably be fired. The line-backer coach, Kevin Steele, will leave the team to coach in college. And line-backer Kevin Greene is contemplating retirement. Meanwhile, Colts quarterback Peyton Manning continues to light up the league. He has an NFL rookie record of 25 touchdowns passes and tied a club record this season with four 300-yard passing games. Colts, 21-14.

**Lions (5-10) at Ravens (5-10)** This was a disappointing season for Baltimore, and coach Ted Marchibroda will probably be fired because of it. But the Ravens will end their season with a victory because the Lions remain the biggest underachievers in the game. Ravens, 28-10.

**Packers (10-5) at Bears (4-11)** The Packers have a playoff berth but are motivated because if they win and San Francisco loses, the Packers will have a home playoff game. Packers, 30-19.

**Dolphins (10-5) at Falcons (13-2)** It will be interesting to watch Atlanta this week, and not just because coach Dan Reeves, who recently had heart surgery, will not be on the sideline. Will the Falcons keep their starters in the entire game if it is close, or will they play it safe and let most of them sit? Imagine the outcry if quarterback Chris Chandler were injured in a meaningless game. That is why the Falcons will probably get an early lead, then take out their starters in the third quarter. Falcons, 25-9.

**Patriots (9-6) at Jets (11-4)** The Patriots beat the 49ers last week without

Drew Bledsoe at quarterback. It was one of the best coaching jobs this season. But, with Bledsoe still out, asking New England's Pete Carroll to duplicate that feat against Bill Parcells, who in some ways knows the Patriots better than Carroll does, may be unrealistic. Jets, 31-28.

**Browns (7-8) at Bengals (13-1)** Tampa Bay blew its best chance for post-season play with an inexcusable loss to Washington last week. Now its playoff fate is out of its control. Cincinnati has a terrible defense and inconsistent offense, but one thing it does do is turn the ball over. Tampa Bay, 12-7.

**Giants (7-8) at Eagles (3-12)** The Giants can gain a playoff berth with a victory and with losses by Arizona and Tampa Bay. A long shot, but a Giant will be inspired — defensive end Michael Strahan. He leads the team with 14 sacks and needs just half a sack for a career high. Watch out, quarterback Koy Detmer. Giants, 21-3.

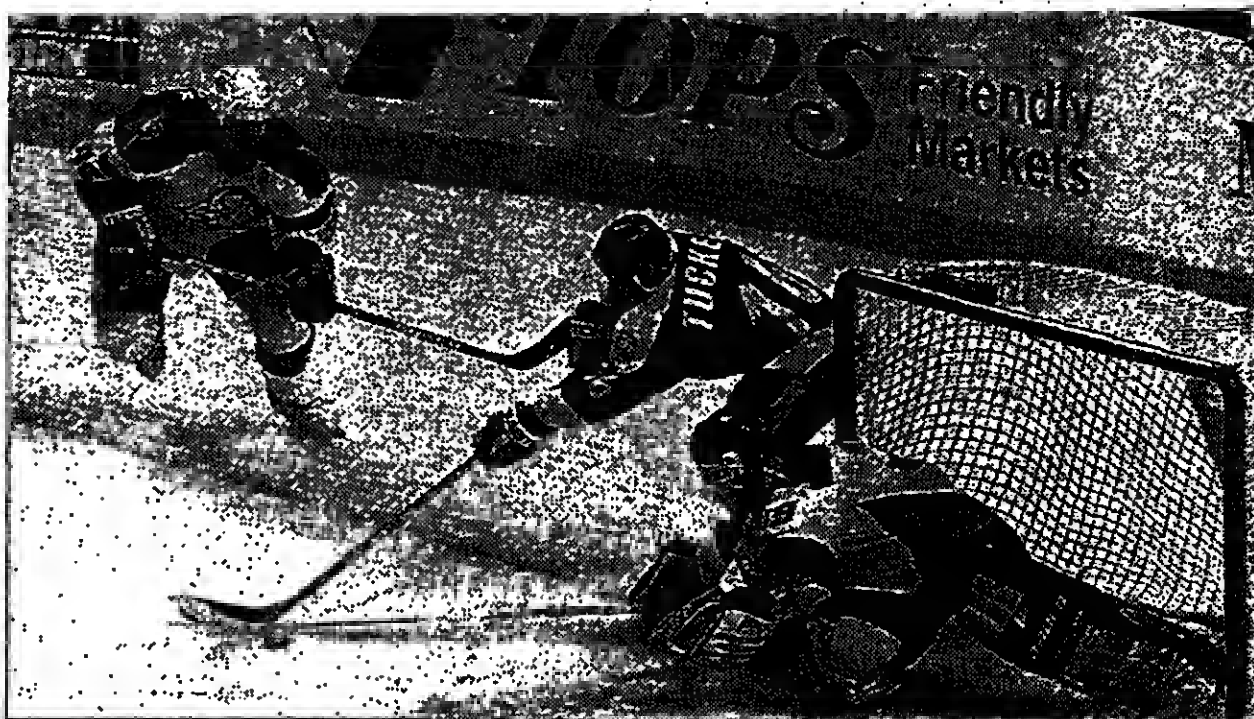
**Rams (4-11) at 49ers (11-4)** The 49ers have not lost in 15 home games under coach Steve Mariucci. But they could be vulnerable. Steve Young will probably play, but his knee is no doubt still sore from a hit he took last week against New England. And the 49ers' secondary is still banged up. 49ers, 38-28.

**Chargers (5-10) at Cardinals (8-7)** So now come reports that the Chargers' Ryan Leaf, who has had one of the worst seasons, on and off the field, of any rookie quarterback this decade, has been showing up late to meetings and sleeping through some of them. That may be why coach June Jones decided to start Craig Whelihan instead of Leaf, although Leaf will get significant playing time. Arizona is fighting for its life because a victory would get it into the playoffs. Who will win this one — a hungry Jake Plummer, who just signed a new contract that included a league-record \$15 million signing bonus? Or a sleepy-headed Leaf? Cardinals, 40-21.

**Seahawks (8-7) at Broncos (12-2)** What is wrong with the Broncos? What is wrong is that Mike Shanahan teams do not do well in December — the Broncos lost two straight last year at this time, and under Shanahan the last four years they are 6-8 in December. Denver lost its last two games on the road. At Mile High Stadium this week, the losing will end. Broncos, 38-14.

**Redskins (6-9) at Cowboys (9-6)** At one point, coach Norm Turner of the Redskins was fighting for his job; now he has the team fighting for him. The Redskins have won six of their last eight games and five of their last six. Because the Cowboys have nothing to fight for in this game — they are already in the playoffs — they will lose by a touchdown. Redskins, 16-9.

**Steelers (7-8) at Jaguars (10-5)** The key to this normally intense series is that the home team has won each of the seven meetings. Jaguars, 21-14.



Buffalo goalie Dominik Hasek poking the puck away from Tampa's Darcy Tucker as Alexei Zhitnik closes in.

## Backup Goalie Stops the Red Wings Nashville's Vokoun Turns Away 50 Shots in 5-3 Victory Over Detroit

The Associated Press

Tomas Vokoun, the backup goalie on an expansion team, stopped 50 shots to beat the Stanley Cup champion.

Vokoun, who is substituting for the injured Mike Dunham, helped the Nashville Predators beat the Detroit Red Wings, 5-3, Wednesday night.

"Their goalie was great," Scotty Bowman, the Detroit coach, said after

### NHL ROUNDUP

his slumping team lost its fourth straight.

In their earlier meeting, the Red Wings beat Nashville, 5-2, but Dunham had an outstanding game with 52 saves.

Vokoun was making his third start in goal for Dunham, who is out with a groin injury.

"It was a good win, we really had bigger hearts than they did," the rookie goalie said.

Cliff Ronning and Scott Walker had two goals apiece for the Predators, who won their second straight and extended their unbeaten streak at home to four.

The Red Wings, meanwhile, lost for the ninth time on the road. Detroit did not lose its ninth road game last season until March 5.

**Sabres 2, Lightning 0** In Buffalo, Dominik Hasek, the Sabres goalie, continued his December dominance.

Hasek made 38 saves, including 16 in the second period and 13 in the third while recording the 39th shutout of his career, 15 of them in the month of

December. He has lost only once in 10 starts this month with three shutouts.

"This guy's on a different planet," said Jacques Demers, the Tampa Bay coach.

Brian Holzinger and Miroslav Satan scored for the Sabres, who extended their unbeaten streak against Tampa Bay to nine games, including a five-game winning streak.

**Canucks 5, Flames 2** In Vancouver, Markus Naslund had two goals and an assist as the injury-plagued Canucks beat Calgary for the second straight night.

Rookie Bill Muckalt had a goal and an assist, and Brad May set up two goals. Garth Snow stopped 18 shots for the Canucks.

The Canucks played without top scorer and captain Mark Messier, who sustained a concussion Tuesday night in Calgary. Vancouver already was without injured forwards Todd Bertuzzi and Alexander Mogilny.

**Devils 4, Blues 2** Bobby Holik continued his recent spree by scoring three goals as surging New Jersey beat visiting St. Louis.

The hat trick was Holik's first in five years and third of his nine-year career. It gave him 12 goals in the last 11 games and a team-high 15 for the season.

**Flames 2, Oilers 1** In Boston, John LeClair scored his 22d goal and set up Eric Desjardins' game-winner early in the third period as Philadelphia extended its unbeaten streak to six games.

**Capitals 4, Panthers 0** Brian Bellows and Calle Johansson scored power-play

goals and Olaf Kolzig notched his third shutout for Washington.

Kolzig finished with 29 saves for his 10th career shutout as the Capitals won for only the second time in seven games on their current road trip.

**Hurricanes 1, Rangers 0** Ray Shepard scored his 14th goal 38 seconds into the third period, and Arnar Ingvi stopped 29 shots to lead Carolina to victory at New York.

The Rangers had just killed a penalty when Sheppard intercepted a clearing pass and beat Mike Richter with a wrist shot. Irbe got his third shutout in the last six games and fifth this season.

**Stars 5, Maple Leafs 1** Mike Modano scored three goals as Dallas extended its unbeaten streak to 10 games.

Jere Lehtinen had a goal and two assists, and Brett Hull scored the other goal and added an assist for the Stars, who have lost only once in their last 13 road games.

**Senators 3, Canadiens 1** Magnus Arvedson scored with 3:05 remaining as Ottawa beat visiting Montreal.

Shawn McEachern and Alexei Yashin also scored for the Senators. Mark Rucinsky scored for Montreal, now winless in 11 games.

**Blackhawks 4, Coyotes 3** In Chicago, Doug Gilmour scored twice, and Tony Amonte got his league-leading 23d goal in the Blackhawks' four-goal second period.

**Sharks 5, Oilers 3** Marco Sturm had three goals and two assists as San Jose won at Edmonton.

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**SPANISH LANGUAGE GUIDE**

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| Dallas        | 800-955-0111  | 214-761-1111 |
| Denver        | 800-955-0111  | 303-733-1111 |
| Houston       | 800-955-0111  | 713-861-1111 |
| Los Angeles   | 800-955-0111  | 213-476-1111 |
| Madrid        | 800-955-0111  | 91-400-0111  |
| Mexico City   | 800-955-0111  | 55-52-0111   |
| New York      | 800-955-0111  | 212-464-1111 |
| San Francisco | 800-955-0111  | 415-774-1111 |
| Seattle       | 800-955-0111  | 206-464-1111 |
| Shanghai      | 800-955-0111  | 21-600-0111  |
| Singapore     | 800-955-0111  | 65-434-1111  |
| Tokyo         | 800-955-0111  | 3-600-0111   |

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SPORTS

# With Furry Gift for IOC, Was Atlanta 'Over the Top'?

**The Associated Press**  
**NEW YORK**—There are gifts, favors and possibly bribes among Olympic peeks. And then there are bulldogs.  
As the International Olympic Committee wrestles with its ethics scandal and three panels investigate alleged bribery in Salt Lake City's bid for the Winter Games, IOC members and potential host cities face the issue of where friendships end and corruption begins.  
Atlanta, like most bid cities, handed out gifts to visiting IOC members, and at least one had four legs and a wet nose—a bulldog for a Cuban delegate.  
"You get caught up in the entertainment mode and you may do things that stretch the rules," said Charlie Battle, who was in charge of international relations in Atlanta's bid for the 1996 Olympics. "You go over the top."  
Billy Payne, the head of the Atlanta bid, gave a bulldog to Manuel Gonzalez Gueiza, an IOC member, after he admired Uga, the mascot of Payne's alma mater, the University of Georgia.  
"The biggest problem we had was getting Customs to let him take the dog back," Battle said. "They don't like people taking things to Havana from the United States. Maybe they were afraid we were hiding spy gear in his collar."  
There's no way of knowing whether Gueiza voted for Atlanta in the secret balloting in Tokyo in 1996, and IOC rules now limit gifts to a total of \$150 a member—

meaning that any current canine giveaway would probably be a mutt.  
After the revelations in the Salt Lake City case, those rules will be tightened.  
"I would think that after what has happened, any U.S. city bidding for the Olympics is going to be so squeaky clean they'll leave Ivory Soap for a sponsor," said Sue Loder, coordinator of San Francisco's bid for the 2012 Summer Games. Loder's committee and seven other cities in the early stages of the race to be the U.S. choice for 2012 operate under 23 pages of ethics guidelines set down by the U.S. Olympic Committee.  
Among other things, the bidders are barred from any contact with the IOC until the U.S. committee picks its candidate in 2002, three years before the vote, and must keep gifts to a total of \$50 a person during the preliminary phase and \$150 if they reach the finals.  
The U.S. committee had no rules on bidding when Salt Lake City finally won the Olympics on its fifth try in 1995, according to the committee president, Bill Hybl.  
The IOC imposed its first limits in 1986 after the volume of gifts and favors in the campaigns for the Seoul Games became embarrassing. Those "tokens" included fur coats, diamond jewelry and unlimited first-class travel for members who wanted one more peek at cities like Paris, Barcelona and Brisbane.  
Racks of minks and expensive porcelain are no longer wheeled through the lobby of hotels housing IOC members—a practice that was blatant in Seoul.



Cruzeiro's Marcelo, left, and Silvinho of the Corinthians leaping for the ball in Brazil's final playoff.

# Dual Role Lands Coach Title, and Some Trouble

**RIO DE JANEIRO**—Vanderley Luxemburgo, the coach of the Brazilian national team, was headed for a showdown with the Brazilian soccer federation Friday after he said that he wanted to continue in his dual role and remain manager of Corinthians, the newly-crowned Brazilian club champion.  
Luxemburgo, 46, succeeded Mario Zagallo in August following the World Cup. He had promised to quit Corinthians at the end of the season, but indicated he had changed his mind after the club won the title. He is to hold talks with the federation in January.  
Corinthians beat Cruzeiro, 2-0, Wednesday in the third game of the final to give Luxemburgo his third Brazilian title. He won twice with Palmeiras in 1993 and 1994.  
Edilson scored the crucial goal in the 65th minute. Marcelinho Carioca, back in the team after a tiff with Luxemburgo last month, scored the second in the 83rd minute. Both goals were set up by Dinei, a half-time substitute.  
Luxemburgo, who is serving a 60-day suspension and watched from the stands, has been taking on both roles since August.  
Corinthians, which won its only other title in 1990 but was nearly relegated last year, needed only a draw at home in Sao Paulo after the first two matches had ended in draws.  
Cruzeiro, which has twice been South

American champions but never won the Brazilian title, paid the price for the over-cautious tactics of coach Levir Culpi.  
Despite prematch bickering over the referee, it was a good-natured contest with only three bookings. The first half saw only one decent chance at each end before Corinthians took control after the break. Dinei set up the first goal by threading the ball through to Edilson who rounded goalkeeper Dida to score his 16th goal of the competition.  
Seven minutes from the end Dinei created the second with a run down the side and a cross that Marcelinho Carioca headed home for his 19th goal of the competition to finish as second top scorer behind Viola of Santos.  
CHINA All 26 clubs in China's first division falsified financial records this year to hide payments for thrown games and bribes to referees, the official Liberation Daily reported Friday.  
"Many figures seem to be false," an official with the finance department of the Chinese Football Association said.  
Rules require receipts for all expenses paid by the clubs, but every club turned in phony receipts to cover up their real figures, he said. The report said payments to referees, game throwers and to buy the referee were the leading reason for the financial irregularities.  
It quoted an unnamed club president as saying that the only way to eradicate match-fixing would be to have foreign companies audit clubs' accounts. (AFP/Reuters)

## SCOREBOARD

| HOCKEY             |    |    |   |     |     |     |      |   |   |
|--------------------|----|----|---|-----|-----|-----|------|---|---|
| NHL Standings      |    |    |   |     |     |     |      |   |   |
| Atlantic Division  |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| New Jersey         | 19 | 8  | 4 | 42  | 94  | 78  | +16  | 1 | 1 |
| Philadelphia       | 15 | 9  | 7 | 36  | 77  | 74  | +3   | 2 | 2 |
| Pittsburgh         | 13 | 11 | 7 | 33  | 83  | 82  | +1   | 3 | 3 |
| N.Y. Rangers       | 11 | 14 | 7 | 29  | 84  | 87  | -3   | 4 | 4 |
| N.Y. Islanders     | 12 | 19 | 2 | 26  | 82  | 94  | -12  | 5 | 5 |
| Northeast Division |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| Buffalo            | 18 | 6  | 5 | 41  | 85  | 51  | +34  | 1 | 1 |
| Toronto            | 19 | 12 | 2 | 40  | 106 | 95  | +11  | 2 | 2 |
| Ottawa             | 15 | 10 | 6 | 36  | 88  | 83  | +5   | 3 | 3 |
| Montreal           | 15 | 12 | 3 | 33  | 89  | 74  | +15  | 4 | 4 |
| Quebec             | 8  | 22 | 3 | 19  | 67  | 114 | -47  | 5 | 5 |
| Southeast Division |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| Florida            | 16 | 13 | 3 | 35  | 90  | 80  | +10  | 1 | 1 |
| Washington         | 10 | 17 | 3 | 23  | 64  | 78  | -14  | 2 | 2 |
| Tampa Bay          | 8  | 22 | 3 | 19  | 68  | 114 | -46  | 3 | 3 |
| Central Division   |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| Detroit            | 17 | 14 | 1 | 35  | 99  | 87  | +12  | 1 | 1 |
| St. Louis          | 11 | 18 | 3 | 25  | 76  | 78  | -2   | 2 | 2 |
| Minnesota          | 12 | 16 | 3 | 27  | 75  | 86  | -11  | 3 | 3 |
| Chicago            | 10 | 19 | 4 | 24  | 76  | 110 | -34  | 4 | 4 |
| Northwest Division |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| Calgary            | 14 | 15 | 3 | 31  | 76  | 72  | +4   | 1 | 1 |
| Vancouver          | 13 | 16 | 3 | 29  | 81  | 89  | -8   | 2 | 2 |
| Edmonton           | 11 | 18 | 4 | 26  | 94  | 98  | -4   | 3 | 3 |
| Colorado           | 10 | 19 | 4 | 24  | 77  | 100 | -23  | 4 | 4 |
| Pacific Division   |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| Dallas             | 20 | 5  | 4 | 44  | 94  | 64  | +30  | 1 | 1 |
| Phoenix            | 19 | 6  | 4 | 42  | 82  | 61  | +21  | 2 | 2 |

| HOCKEY             |    |    |   |     |     |     |      |   |   |
|--------------------|----|----|---|-----|-----|-----|------|---|---|
| NHL Standings      |    |    |   |     |     |     |      |   |   |
| Atlantic Division  |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| New Jersey         | 19 | 8  | 4 | 42  | 94  | 78  | +16  | 1 | 1 |
| Philadelphia       | 15 | 9  | 7 | 36  | 77  | 74  | +3   | 2 | 2 |
| Pittsburgh         | 13 | 11 | 7 | 33  | 83  | 82  | +1   | 3 | 3 |
| N.Y. Rangers       | 11 | 14 | 7 | 29  | 84  | 87  | -3   | 4 | 4 |
| N.Y. Islanders     | 12 | 19 | 2 | 26  | 82  | 94  | -12  | 5 | 5 |
| Northeast Division |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| Buffalo            | 18 | 6  | 5 | 41  | 85  | 51  | +34  | 1 | 1 |
| Toronto            | 19 | 12 | 2 | 40  | 106 | 95  | +11  | 2 | 2 |
| Ottawa             | 15 | 10 | 6 | 36  | 88  | 83  | +5   | 3 | 3 |
| Montreal           | 15 | 12 | 3 | 33  | 89  | 74  | +15  | 4 | 4 |
| Quebec             | 8  | 22 | 3 | 19  | 67  | 114 | -47  | 5 | 5 |
| Southeast Division |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| Florida            | 16 | 13 | 3 | 35  | 90  | 80  | +10  | 1 | 1 |
| Washington         | 10 | 17 | 3 | 23  | 64  | 78  | -14  | 2 | 2 |
| Tampa Bay          | 8  | 22 | 3 | 19  | 68  | 114 | -46  | 3 | 3 |
| Central Division   |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| Detroit            | 17 | 14 | 1 | 35  | 99  | 87  | +12  | 1 | 1 |
| St. Louis          | 11 | 18 | 3 | 25  | 76  | 78  | -2   | 2 | 2 |
| Minnesota          | 12 | 16 | 3 | 27  | 75  | 86  | -11  | 3 | 3 |
| Chicago            | 10 | 19 | 4 | 24  | 76  | 110 | -34  | 4 | 4 |
| Northwest Division |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| Calgary            | 14 | 15 | 3 | 31  | 76  | 72  | +4   | 1 | 1 |
| Vancouver          | 13 | 16 | 3 | 29  | 81  | 89  | -8   | 2 | 2 |
| Edmonton           | 11 | 18 | 4 | 26  | 94  | 98  | -4   | 3 | 3 |
| Colorado           | 10 | 19 | 4 | 24  | 77  | 100 | -23  | 4 | 4 |
| Pacific Division   |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| Dallas             | 20 | 5  | 4 | 44  | 94  | 64  | +30  | 1 | 1 |
| Phoenix            | 19 | 6  | 4 | 42  | 82  | 61  | +21  | 2 | 2 |

| HOCKEY             |    |    |   |     |     |     |      |   |   |
|--------------------|----|----|---|-----|-----|-----|------|---|---|
| NHL Standings      |    |    |   |     |     |     |      |   |   |
| Atlantic Division  |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| New Jersey         | 19 | 8  | 4 | 42  | 94  | 78  | +16  | 1 | 1 |
| Philadelphia       | 15 | 9  | 7 | 36  | 77  | 74  | +3   | 2 | 2 |
| Pittsburgh         | 13 | 11 | 7 | 33  | 83  | 82  | +1   | 3 | 3 |
| N.Y. Rangers       | 11 | 14 | 7 | 29  | 84  | 87  | -3   | 4 | 4 |
| N.Y. Islanders     | 12 | 19 | 2 | 26  | 82  | 94  | -12  | 5 | 5 |
| Northeast Division |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| Buffalo            | 18 | 6  | 5 | 41  | 85  | 51  | +34  | 1 | 1 |
| Toronto            | 19 | 12 | 2 | 40  | 106 | 95  | +11  | 2 | 2 |
| Ottawa             | 15 | 10 | 6 | 36  | 88  | 83  | +5   | 3 | 3 |
| Montreal           | 15 | 12 | 3 | 33  | 89  | 74  | +15  | 4 | 4 |
| Quebec             | 8  | 22 | 3 | 19  | 67  | 114 | -47  | 5 | 5 |
| Southeast Division |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| Florida            | 16 | 13 | 3 | 35  | 90  | 80  | +10  | 1 | 1 |
| Washington         | 10 | 17 | 3 | 23  | 64  | 78  | -14  | 2 | 2 |
| Tampa Bay          | 8  | 22 | 3 | 19  | 68  | 114 | -46  | 3 | 3 |
| Central Division   |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| Detroit            | 17 | 14 | 1 | 35  | 99  | 87  | +12  | 1 | 1 |
| St. Louis          | 11 | 18 | 3 | 25  | 76  | 78  | -2   | 2 | 2 |
| Minnesota          | 12 | 16 | 3 | 27  | 75  | 86  | -11  | 3 | 3 |
| Chicago            | 10 | 19 | 4 | 24  | 76  | 110 | -34  | 4 | 4 |
| Northwest Division |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| Calgary            | 14 | 15 | 3 | 31  | 76  | 72  | +4   | 1 | 1 |
| Vancouver          | 13 | 16 | 3 | 29  | 81  | 89  | -8   | 2 | 2 |
| Edmonton           | 11 | 18 | 4 | 26  | 94  | 98  | -4   | 3 | 3 |
| Colorado           | 10 | 19 | 4 | 24  | 77  | 100 | -23  | 4 | 4 |
| Pacific Division   |    |    |   |     |     |     |      |   |   |
| Team               | W  | L  | T | Pts | GF  | GA  | Diff | W | L |
| Dallas             | 20 | 5  | 4 | 44  | 94  | 64  | +30  | 1 | 1 |
| Phoenix            | 19 | 6  | 4 | 42  | 82  | 61  | +21  | 2 | 2 |

| LEADING COLLEGE SCORES             |                          | WEDNESDAY RESULTS               |  |
|------------------------------------|--------------------------|---------------------------------|--|
| Virginia Tech                      | 55, Coastal Carolina 65  | Boiler 79, Florida St. 45       |  |
| Utah                               | 87, Coppin St. 13        |                                 |  |
| Northwestern 66, Boston College 59 |                          |                                 |  |
| Saint Louis 79, Kansas 55          |                          |                                 |  |
| THURSDAY RESULT                    |                          | THURSDAY RESULTS                |  |
| Washington 70, New Mexico 61       |                          | Boiler 79, Florida St. 45       |  |
| UTAH STATE 79, Arizona 55          |                          |                                 |  |
| COORS LEAD CLASSIC                 |                          | COORS LEAD CLASSIC              |  |
| Fresno St. 73, Miami, Okla. 42     |                          |                                 |  |
| PEARL HARBOR CLASSIC               |                          | PEARL HARBOR CLASSIC            |  |
| Albuquerque 79, Anaheim 55         |                          |                                 |  |
| PUERTO RICO HOLIDAY CLASSIC        |                          | PUERTO RICO HOLIDAY CLASSIC     |  |
| Alfred 67, Mississippi 47          |                          |                                 |  |
| THE BURNING HOLIDAY CLASSIC        |                          | THE BURNING HOLIDAY CLASSIC     |  |
| Rice 56, Iowa St. 45               |                          |                                 |  |
| WAGBORN TOP 57                     |                          | WAGBORN TOP 57                  |  |
| WEDNESDAY RESULTS                  |                          | WEDNESDAY RESULTS               |  |
| Ma. 10, Texas Tech 10 (41)         | Ind. 69, Hawai'i 67      |                                 |  |
| Ma. 13, 600 Dominicans 7 (3)       | Ind. 67, Ma. 10, L.C. 10 |                                 |  |
| LEADING COLLEGE SCORES             |                          | LEADING COLLEGE SCORES          |  |
| St. Mary's, Cal. 79, Cornell 58    |                          |                                 |  |
| Ma. 10, Hawai'i 67, Hawaii 67      |                          |                                 |  |
| Northland 134, N.C. 11             | Washington 67            |                                 |  |
| FOOTBALL                           |                          | FOOTBALL                        |  |
| COLLEGE BOWL GAME                  |                          | COLLEGE BOWL GAME               |  |
| MOTOR CITY BOWL                    |                          | MOTOR CITY BOWL                 |  |
| Marshall 48, Louisville 29         |                          |                                 |  |
| SOCCER                             |                          | SOCCER                          |  |
| CRISTIANITA CHAMPIONSHIPS FINAL    |                          | CRISTIANITA CHAMPIONSHIPS FINAL |  |
| Third and Final Legs               |                          |                                 |  |
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| Dominguez and Griffin              |                          |                                 |  |
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DAVE BARRY

## We Are the Mooga Men

Miami — Pay attention, because today I'm going to pass along a foolproof method for getting unbelievably rich. I heard about it from a guy who sat next to me on an airplane. Usually, the people I wind up next to on planes do not give out useful information: they give out either bodily aromas or weird noises. For example, several months ago I flew across country next to a man who, every 15 seconds for the entire flight, emitted, from somewhere deep in his nasal passages, a sound that, if you had to spell it out, would be along the lines of "SNAWNK!" The first time I heard this

**They're saving up to make a large donation to the Mucus Bank.**

I jerked my head out of my newspaper and looked under my seat, because I thought a wild boar had got loose on the plane and was rooting around for dropped peanuts. But then I heard it again, and I realized, to my horror, that it was coming from the guy next to me. He kept it up all the way from Miami to San Francisco, a distance of 40 million miles. The noise permeated everything, including the in-flight movie, which was "Titanic." In the climactic scene, wherein Jack shipped tragically into the frigid depths, and Rose, overcoming her despair, raised the whistle to her lips to signal the rescue boat, the triumphant, life-affirming noise she made was: "SNAWNK!"

I have also flown next to men (it's always men) who suck their teeth hard enough to remove the enamel, and men who have had head colds but refuse to blow their noses, choosing instead to keep loudly snorting their nasal contents back inward, as if they're saving them up to make a large humanitarian donation to the Mucus Bank. There's nothing like listening to this sound while you're trying to eat airline food, which is already enough of a challenge. I was on a flight where, for breakfast, they served us a cold, dense slice of a substance labeled "Carrot-Pineapple Bread."

But getting back to my original point: My airline seatmates have never given me any useful information... until I sat next to this guy who told me a foolproof method for getting unbelievably rich. This guy was not a bull-doozy artist. He was a very successful businessman who makes a lot of money. I could tell because he wore nice clothes and dropped subtle verbal hints, such as "I'm a very successful businessman" and "I make a lot of money." So I paid close attention when he revealed his money-making plan, which I knew right away was foolproof because it involved: the Internet.

**Just decode 'mooga' and you're on your way to Fat City.**

piece of a fledge, as long as it involves the Internet. Every day, in the newspaper business section, I read stories like this:

"Last Wednesday, 8-year-old Jason Sneepot told a second-grade classmate at Pine Fragment Elementary School that he was hoping to get a computer for Christmas so he could 'go on the Internet and do some stuff.' By Friday, Jason had merged with Neiscape and his personal net worth was estimated at \$790 million, which he says he plans to use to buy 'a yo-yo and the Indianapolis Colts.'"

I hope I don't sound like an old-fashioned stick-in-the-mud, but when I hear about people making vast fortunes without doing any productive work or contributing anything to society, my reaction is: "How can I get in on that?" So I was all ears when the guy on the plane revealed his foolproof plan for achieving vast wealth. The problem is that I have a mental defect — the medical profession calls it "English Major's Brain" — that makes me incapable of grasping any financial concept more complicated than my ATM secret code. So even though I listened to this guy so hard that my ears were bleeding, I did not totally 100 percent comprehend everything he said. It sounded to me like:

"O.K., so you get your Web site, then you go offshore and set up a mooga, and then you tell the banks that you want to mooga mooga the interest rate, and then — this is the key part — you mooga your mooga, and then mooga mooga (something about a satellite) mooga mooga mooga! And you have all the money in the world!"

So there's the basic plan; all you need to do is figure out which specific financial terms should replace the moogas, and you're on your way to Fat City. Remember who told you, O.K.? And please blow your nose.

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## Unlovely and Beloved, the Enduring Sneaker

By Mary Blume  
International Herald Tribune

NEW YORK — Most things here change (the vegetable found on the best menus right now, for example, is the beet). Some things last longer than expected, such as the word "what-ever," a television star's catchword from a few years back increasingly useful to mean anything, or nothing, at all as a separate sentence or to end a rambling phrase (Monica Lewinsky to Linda Tripp: "So it's like, whatever").

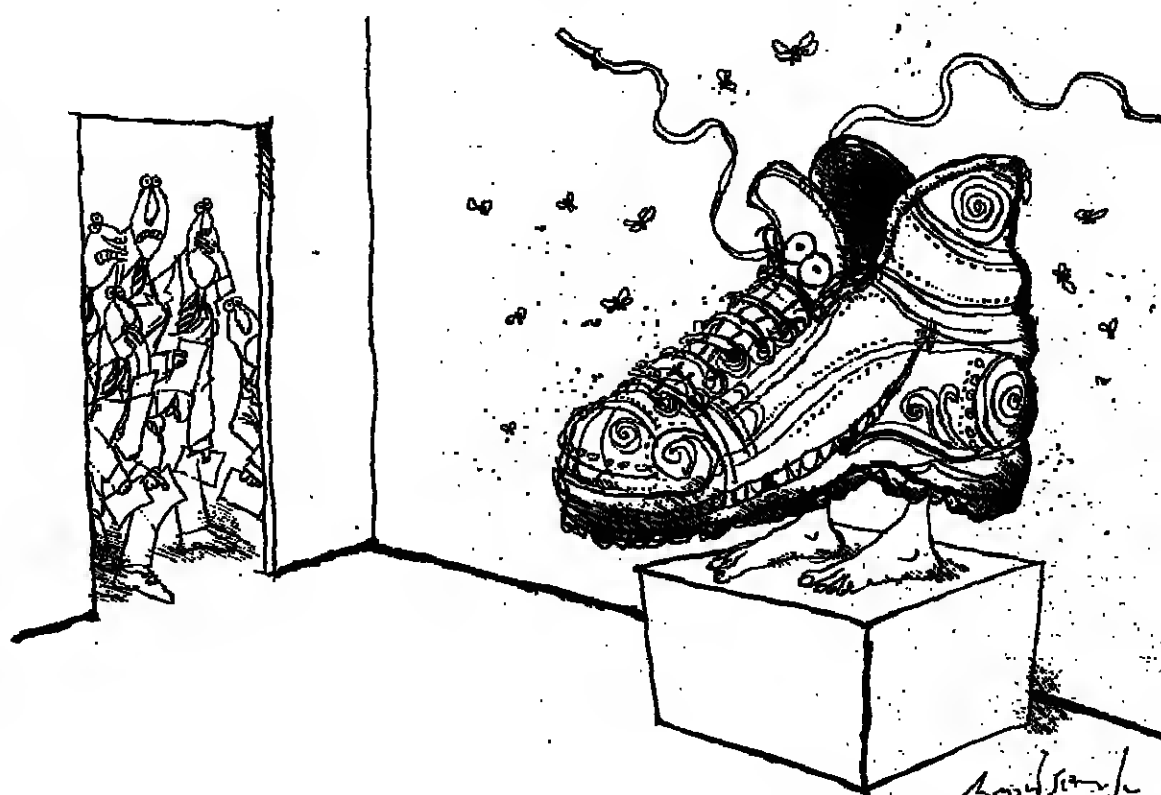
And at least one thing doesn't change at all: the popularity of the sneaker, unshapely, ugly, costly and despite the current fad for designer-label Birkenstocks, and \$700 stilettos by Manolo Blahnik, clearly the New Yorker's sole food.

There are sneakers that illuminate for night jogging, sneakers with the owner's name printed on the tongue, sneakers enough in the Nike store on 57th Street to fill what was once Bonwit Teller's and, in the window of the Super Runners Shop on the Upper East side, a proposed solution for the woman executive who jogs to work, then wishes to appear glamorous enough to shatter the glass ceiling with a stash of her heels.

The sneaker's aerodynamic fin flips down to make a three-inch heel while a sling back is revealed by removing the heel cushion. The feathered tongue is turned back to make a fetching pompadour and varnished red toenails appear when the toe cover is lifted. The effect can be judged by looking at a makeup mirror concealed in the heel cushion, but as a passerby said, looking at the gussied-up object, "No one's gonna buy that."

No one is supposed to. The shoe was part of the store's second competition, "Expressive Sneakers," in which passers-by who wished to could design a modified sneaker to be judged by anyone in the neighborhood who cared to vote. Winners were rewarded by a gift certificate for \$100.

The shop, one of several owned by Gary



Muhurke, winner of the first New York marathon, is fashionably located on Third Avenue just above Grace's Marketplace and just below the gourmet food store Citarella and all its staff are runners.

Residents aren't likely to fall for anything as simple as the Air Max austere displayed on a column in the trendy Paris shop, Colette. "This is a savvy neighborhood, they're sophisticated and they don't stop. We were amazed by our first competition because we thought they'd never stop," says Michael Altschuler, the architect who designed the store, devised the competitions and made the woman executive's sneaker from his wife's size 6, which she parted with reluctantly. Altschuler wears brown leather lace-ups.

Conrad Eberstein, the store's manager, said the idea was to meet competition by being interactive with the community. The store already interacts with the homeless by putting a bag full of discarded sneakers in

front of the door at 6:30 P.M. each night (it is empty by 7), but is also engaged in the race to attract more customers in a neighborhood where everyone has designer-label exercise clothes with shoes to match.

Eberstein, a scholarly man in scuffed New Balances ("because I have a wider foot"), says the latest fashionable model is a Trail Shoe in khaki, brown and black, with a sole like the tread of a truck tire. It is bought by the people, youngish and well-heeled, who drive Jeep-style cars in the city.

The first sneaker, or croquet sandal as it was called, was made in 1868. Eberstein says these days people prefer the phrase "running shoes," whether they run in them or not, to describe a costlier and more modish shoe.

Altschuler swims; no running. "Much healthier," says Eberstein, passing around fashionable hazelnut-flavored coffee, "but very few people in an urban area have access to a swimming pool." For the Expressive

Sneakers contest (contestants were offered used shoes from the homeless bag, but sterilized), entries in the window included a spidery leg called the Air Archid, a pair called Gallery Hopping ("start on one foot, halfway through switch to the other"), and intricate Urban Survival Shoes, Swiss Army brand.

The left shoe has a pooper-sniffer sensor in the toe, a strobe mugger deterrent and on the outsole a battery pack wired to the runner's wallet and to a fibrillator, while the right shoe has a plow for getting ahead, an outsole battery pack for an outrage horn, and in the heel chopsticks, a pad and pencil in case you meet him/her and a toothbrush and paste in case you get lucky.

The contest follows a triumphant first one, "Sneakers With a Past," invented by Altschuler because a previous window showing how sneakers are made felt flat as a runner's arch. The idea was for people to send in sneakers that had a personal history, and the result was a deeply satisfying number of gawkers.

Entries included a pair of Aqua Socks in which an eye surgeon has performed more than 4,000 operations, and a woman's left sneaker in which her boyfriend had placed an engagement ring (she threw out the right one). The prize entry came from a woman who has finished last in every one of the New York Marathons and wrote a book called "The Winning Spirit: Life Lessons Learned in Last Place."

At the moment the Super Runners Shop has a Christmas window, multicultural and politically correct of course, but Altschuler is already at work on the next competition.

"I am going to create a mystery in the window, as if someone broke in and did something and I'm going to start with a couple of sentences of what happened and let people continue the story. Then it will go on and on with people adding a sentence every day. I don't know how it will end."

Whatever.

## PEOPLE

THE 1999 Marian Anderson Award for humanitarian efforts will be presented to Gregory Peck, the veteran actor, who is 82, to accept the honor at a ceremony June 27. "At a time when it took great personal and professional courage to take public stands in denouncing anti-Semitism and racism, Gregory Peck made brave choices about the film roles he accepted," Mayor Edward Rendell of Philadelphia said. The award carries a \$100,000 payment in the name of Anderson, the late opera singer.

Georgia O'Keeffe's "Skunk Cabbage" has taken root in New Jersey at the Montclair Art Museum. The 1922 painting has been donated to the museum by Henry H. Proch of Clifton, New Jersey.

A teacher and several former students of Woodbridge Middle School in Virginia have sued Walt Disney Co. and its television subsidiary, claiming the company used their names and pictures in a children's show in a "demeaning and degrading" fashion. Kathleen Foreman and four students from a 1975 class say their yearbook photos were used without their permission to illustrate a fictional dialogue for a show broadcast on ABC called "Mrs.

Munger's Class." In the show, computer-generated lips were superimposed on the photos to give the appearance that they talk and "are made to say offensive things and racially offensive things," said the group's attorney, Neville Johnson.

Elton John had the biggest-grossing concert act of the year in the United States, taking in more than \$40.6 million during his 53-show tour, according to a year-end tally by Performance magazine. The new-age star earned \$40.5 million in 101 shows, followed by Eric Clapton (\$34.4 million, 43 shows), Garth Brooks (\$33.9 million, 98 shows) and Janet Jackson (\$33.3 million, 60 shows).

A 46-year-old mother of 14, Kirsti Larsen, was sent to jail for two days in Fredrikstad, Norway, for refusing to pay a fine imposed for choosing the name Gesher for her son born in April 1995. Norwegian authorities have a list of approved children's names. Larsen told a newspaper that she was a strong Christian and that an English voice had told her in a dream to call the child "Bridge." She changed it to "Gesher," the Hebrew word for bridge. After losing several appeals when the name was turned down, Larsen refused to pay a fine and was jailed.

IN A NUTSHELL — This miniature nativity scene is among 200 Christmas scenes being displayed at 30 locations in Bamberg, Germany.



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